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Energy security: All talk, no action

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Curbing energy imports would need more than price tinkering. Rail travel should be prioritised over air and road.

Energy security is an issue that our leaders love to highlight; the most recent examples were statements by the Ministers of Power and Coal at a seminar on energy efficiency and energy security, and by the Prime Minister when he dedicated the Bathinda refinery to the country.

However, as exemplified by the Prime Minister's recent statement, almost the only option mentioned to meet this challenge is fuel price rationalisation.

While this option should be debated, it is worrying that there neither seems to be an appreciation of the seriousness of the problem, nor any initiative to pursue many less controversial options that are perhaps just as essential to address the issue.

UNSUSTAINABLE IMPORTS

Between 2006 and 2010, the net quantity of oil, coal and gas imported by India grew at about 10 per cent per annum, compared with 8 per cent growth in GDP.

Projections indicate that these would continue to grow at 10 per cent per annum during the Twelfth Five Year Plan.

With rising energy prices, the financial impact of energy imports is even worse. The value of net energy imports in 2011-12 was around Rs 5.4 lakh crore.

To put this figure in perspective, just 11 per cent of these imports is equivalent to the annual expenditure on MGNREGA, rural housing and rural roads combined.

In 2016-17, net energy import costs are likely to increase to Rs 9.8 lakh crore, assuming a 5 per cent annual increase in real energy prices at prevailing exchange rates (Rs 50 to a dollar) and 2011 rupee values (see table).

This would imply that India's energy imports will increase from 6 per cent of GDP in 2011-12 to 7 per cent of GDP in 2016-17, even if GDP grows at 8 per cent per annum during this period.

It is a matter of serious concern that a country such as India, where a quarter of its population does not have access to electricity and 70 per cent does not have access to clean cooking fuels, spends a higher share of its GDP on energy imports than many other countries.

For example, India imported about 25 per cent of its energy requirement in 2007 for which it spent about 5 per cent of its GDP, while Germany imported 60 per cent of its energy requirement spending 2.5 per cent of GDP and Japan imported 82 per cent of its energy requirements spending 4 per cent of GDP. The US and China also spent only about 2.2 per cent and 2.7 per cent, respectively, of their GDP on energy imports.

Such high energy imports will not only adversely affect the balance of payments but also increase energy prices, making them more unaffordable for the poor.

The country would be more vulnerable to international geo-politics and domestic policies of exporting countries. Finally, it would also negatively impact growth, as some of the money used to import energy could have been invested domestically.

TRANSPORT SOLUTIONS

But it appears that the seriousness of the challenge has not been realised, as there has been no real policy response. Since oil contributes about 80 per cent to our energy import bill, transport should have been a focus area.

One would expect a Government serious about the issue to focus on drastically improving efficient modes such as railways, public transport and non-motorised transport, and discouraging inefficient modes such as private vehicles and air transport.

But in reality, the percentage of trips made by public and non-motorised transport gradually declines, railways continues to languish and key initiatives such as the dedicated freight corridors, faster rail corridors and fuel efficiency norms crawl even as automobile sales boom at over 10 per cent per annum and air passenger km grows at over 15 per cent per annum.

A Government serious about energy security should also be keen to exploit a clean and abundant domestic resource whose cost is falling rapidly.

But latest estimates from the Government's Centre for Wind Energy Technology still put India's wind potential at only around 100 GW though three other studies estimate it an order of magnitude higher, at about 1,000 GW.

POLICY LACUNAE

Given that coal is the country's primary energy source, one would also expect the Government to adopt the recommendations made by its own expert committee led by T.L. Sankar way back in 2007 to make the coal sector more efficient.

These included suggestions such as a time-bound mapping and exploring of the entire country, adopting an NELP-like approach in the coal sector and setting up a coal regulator.

However, even as the coal sector is in the throes of a well-documented crisis, most of the recommendations remain unimplemented.

The ineffectiveness of the Energy Coordination Committee (ECC) is another such example.

Though the ECC was constituted way back in 2005, it has been handicapped by the lack of an agency to collect and reconcile energy sector data, and conduct policy research — resulting in anomalies such as a 15 per cent discrepancy in coal usage data as estimated from emissions computed by CEA and NATCOM (National Communication to the United Nations Framework Convention on Climate Change), and reported in the interim report of the Planning Commission's low carbon expert group.

If the Government is serious about tackling the energy security challenge, it must develop appropriate institutional structures in addition to the specific measures listed above, and one important step could be setting up an energy analysis agency.

In the absence of an appropriate multi-pronged response to this threat, the country's future could literally be dark.