

ENERGY AND NATURAL RESOURCES

SECTOR POLICY GROUP MEETING

On 13 October, we held the second meeting of the Energy Sector Policy Group, with attendees in Gurgaon and London. The meeting was chaired by Kevin McCole, Chief Operating Officer of the UKIBC.

ATTENDEES		
Rob Macaire	BG Group	Director – Political Risk
Manvendra Jain	BG Group	Head, Public and Corporate Affairs
Rajeev Kumar	BP Exploration (Alpha) Limited	Director, Regulatory Affairs
Siddharth Jain	Rio Tinto	Chief Operating Officer – Bunder Diamonds
Yashika Singh	Rio Tinto	Economist
Dinesh Arya	UKTI	Energy Sector Lead

UKIBC UPDATE:

The members were informed about the meeting with Mr Atul Chaturvedi, Joint Secretary of the DIPP on 9th October in London. Mr Chaturvedi has requested that UKIBC feed into him, in advance of Mr Modi's UK visit (12-14 November), the views of British business on improving India's operating environment.

The results of an ongoing UKIBC survey and to key points from this and other SPGs will form the basis of this submissions to the GoI.

SECTOR UPDATE:

Prasenjit Dhar updated the group on recent work done by the UKIBC in the energy and natural resources sector:

- Oil and Gas – working to identify the best areas for technology collaborations.
- Policy Advocacy – towards a more investor-friendly approach especially in exploration and production and on retrospective taxation which impacts not only this sector but overall FDI into India.
- Coal – Although the coal mining industry is in decline in the UK, vast experience has been amassed over the years and this could open up new areas of tech collaboration between the UK and India both at the national and state levels. UK companies are especially interested in bidding for new mines which have been opened up to the private sector by the GoI.
- Renewables – The GOI has ambitious plans for deploying solar power across the country which opens up new opportunities for UK India collaboration. This is especially significant given the new government's Smart Cities initiative. Innovative financing of renewable projects is also a new area of opportunity.
- Visits from Rajasthan and West Bengal - In May and July this year, we hosted senior officials from Rajasthan and West Bengal respectively and organised high level roundtables to bring together UK companies looking to do more in the abovementioned sectors.

Prasenjit also mentioned two forthcoming conferences in India:

- RE Invest in February 2016 in Delhi
- Smart grids from 15th-19th March 2016 in Delhi

KEY ISSUES

- I. Dispute Resolution - and the policy approach around it. Currently the sector is weighed down by an excessive number of ongoing arbitrations which act as a major deterrent for potential investors. The arbitration process is also very time consuming and often the sanctity of the contract is disregarded. All of which has a negative impact on both existing and new investors. This is one area the Indian government can quickly give confidence to existing investors without making any policy changes.
- II. Lack of focus on the exploration and production aspects of the mining process - The marginal fields initiative is not a significant opportunity for larger companies – the real opportunity lies in the exploration and production sector, but current investments in this space have a finite shelf life and future prospects seem few and far between. The government's decisions seem to be short-sighted and based on revenue rather than on maximising production and exploration. For example, the shift in focus to auctions rather than exploration in the mining sector means that it will be difficult to sustain exploration expenditure in the country.

New opportunities would open up if India focused on doubling its gas production and reducing its oil and gas imports – this would also contribute significantly towards reducing the country's balance of payments.
- III. Transfer of titles – under the current legislation, transfer of mining titles is prohibited. Removing the restrictions around this transfer process would make the mining sector much more vibrant and attractive
- IV. Taxes – The mining sector is also heavily taxed– effective tax rate is very high ie. 65-75% and this acts as a major barrier to doing business in India.
- V. Gas pricing – Gas needs to be priced at a reasonable level to incentivise companies to invest. More clarity is needed on whether the Indian government is taking steps to make this happen. Resolving this pricing issue would enable India to leverage the untapped potential of its gas sector.
- VI. GST – will have an impact along the entire energy supply chain, from transmission to distribution and power prices. Companies have pushed for petroleum products to be included in the GST, and would like this issue to be raised.