



The ISB Annual B-School Fest  
2005



## ΣΝΕΡΓΕΙΑ

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... an Energy Club Event

### The Case

#### **India: Energy Vision 2025**

India ranks sixth in the world in terms of energy demand and accounts for a significant share of world commercial energy consumption. With a predicted GDP growth of around 7 % for the next few years, the energy demand is expected to grow further in the coming years.

Indian hydrocarbon reserves are limited and these do not meet the countries requirements. This necessitates imports and subjects India to price volatility and supply disruption concerns. Even though oil constitutes only a third of India's primary energy resource, it accounts for nearly a quarter of the total import bill, thus making its economy vulnerable to oil price shocks. While grappling with the issue of securing adequate energy supply, the Indian Government is increasingly concerned that its economy is rendered vulnerable to oil supply disruptions. India's energy security is particularly exposed to risk due to any disruptions in the politically instable West Asia.

The Indian government is also concerned that renewable energy sources have made marginal inroads. Further, the self-grown nuclear power capacity is restricted due to limited uranium resources. Energy guzzling India is thus passing through critical times. Its energy sector has been characterized by *low per capita commercial energy consumption, skewed distribution of primary commercial energy sources, high energy intensity, and distorted energy pricing and high level of environmental pollution*. Under such circumstances, the need for an integrated plan to develop resources and identify new energy sources becomes critical. It is important to ensure optimal utilization of indigenous and externally traded energy sources, such that we meet demand at affordable prices with environmental responsibility.

Till recently, India did not have an energy security policy or contingency plans for managing crisis. India is also not a member of any organization like the International Energy Agency (which was formed following the 1973 oil crisis) that protects members from disruptions in the energy market.



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Presently, Indian energy sector is regulated by five different ministries - among the agencies that oversee energy policy in India are the *Ministry of Petroleum and Natural Gas*, the *Ministry of Coal*, the *Ministry of Non-Conventional Energy Sources*, the *Ministry of Environment and Forests*, the *Department of Atomic Energy*, and the *Ministry of Power*. Each ministry is perceived as working towards its own separate agenda, rather than pooling resources for the common goal – “Ensuring Energy Security of India”.

INDIA aims to become a high growth rate economy. The Union government’s Vision 2020 document projects that it is possible to realise 8.5 to 9% yearly growth in GDP in the next decade or so. To fuel this growth, India’s energy requirements are expected to double in the same period. Global experience proves that the energy market needs to keep pace with the growth of economy. India’s growth cannot be assured without ensuring adequate access to sources of energy. Economists concur that the economic growth that India achieves would be largely ruled by the extent to which India realizes energy sufficiency.

An integrated energy policy is required to achieve operational integration of the energy industry. Sectors like petroleum & natural gas, power, coal and mining, non-conventional energy sources cannot be approached in isolation from the perspective of policymaking. Lack of a comprehensive energy policy deters foreign investment in long-term energy projects in India. Already, in international circles, convergence in the energy sector is producing new business models. In essence, it has become imperative to formulate a comprehensive policy that mitigates the adverse impact of high oil prices, both in the short-term and long-term. The industry believes that energy policy is a national imperative and as such should be formulated within a comprehensive industry/commerce framework.

In 2000, to address the absence of a policy, the government released *Hydrocarbon Vision 2025*, a study outlining a policy framework for the Indian Hydrocarbon Sector. However, what the country needs now is *Energy Vision 2025*. An integrated energy policy would entail an all-inclusive strategy of harnessing all options more optimally while safeguarding long-term national interests.

This policy needs to clearly recognize:

- a) Inherent trade-offs involving energy choices in an economy
- b) Ensure that the country optimizes its energy sources to meet demand in the most efficient and inexpensive manner.



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While preparing the document - India: Energy Vision 2025, Policy focus may include

- Energy conservation vs. supply enhancement.
- Renewable vs. conventional energy.
- Commercial vs. non-commercial fuel
- Pricing structure and energy subsidies
- Recommendations made by Hydrocarbon Vision 2025
  - Exploration and production
  - Coal bed methane exploitation
  - Exploration licensing policy- *New Exploration Licensing Policy (NELP)*
  - Enhancement of production from existing oil and gas fields
  - Upgrading and expansion of refining facilities
  - Petroleum sector restructuring.
  - Promoting Free market policies and healthy competition among players

India needs to clearly identify the actions that it must take to meet the energy challenge facing it. This integrated energy strategy should define not only the energy development choices but should also address itself to measures that would reward energy efficiency and conservation. Importantly, these actions must be rooted in favourable *economic* and *social cost-benefit analyses* and must address the long-term perspective.

### Instructions

Assuming that your team was nominated as the Advisory Committee for drafting *India: Energy Vision 2025*, what would your plan be?