

NEWS FLASH – 12th April, 2016

SUGAR

Govt seen holding off sugar policy change despite price surge

London/New Delhi: India is likely to hold off at least until the start of the monsoon season before making any changes to sugar policy despite a jump in domestic prices that choked off exports.

The sugar market has been abuzz with talk that the surge in domestic prices could lead authorities to cut the 40% import duty on raw sugar.

However, traders said they do not expect any imminent action by authorities to encourage imports or exports because downwardly revised forecasts for 2015/16 (Oct/Sept) sugar production would still exceed domestic consumption.

One senior European physical trader projected 2015/16 Indian sugar output at 25.6 million tonnes, just above consumption seen at 24.5 million tonnes. Output in 2014/15 was 28.3 million tonnes.

India is the world's leading sugar consumer and second-biggest producer behind Brazil.

"Domestic prices have risen and exports have come to a halt, but we don't have any plans to lower the import tax for now," a senior Indian government source said.

"We had set a target for mills to export 3.2 million tonnes, but that was based on more buoyant production estimates, which no longer look that rosy thanks to the droughts in 2014 and 2015."

Referring to cash-strapped sugar mills, the source added: "We wouldn't mind some more sugar being exported, but we're no longer desperate to export as a jump in prices here has given a good deal of respite to mills."

Before taking any decisions on sugar policy, the government is expected to wait to see how the monsoon season develops.

India's annual monsoon rains are likely to be above average, the country's only private weather forecaster said on Monday, snapping two straight years of drought that cut farm output and farmers' income.

India's sugar industry exported more than 1 million tonnes of low-quality whites between October 2015 and March 2016, below the target of 3.2 million tonnes.

The senior European trade source said he expected Indian sugar stocks to be around 8.5 million tonnes at the start of the 2016/17 harvest. The Indian Sugar Mills Association (ISMA) expects stocks to be between 7.5 million tonnes and 8 million tonnes at that time.

Some European trade sources said de-stocking is possible if domestic Indian output in 2015/16 fails to meet expectations.

(Source- <http://www.livemint.com/Politics/L5Zizq2bDMMEbnQ9Sc7TFO/Govt-seen-holding-off-sugar-policy-change-despite-price-surg.html>, published in the Livemint on 12th April, 2016)

Government planning to impose sugar tax to control diabetes

In the latest, government is mulling over a plan to impose sugar tax on the similar lines as soda tax in the US to curb epidemic of diabetes in India, as per media reports.

According to the World Health Organization (WHO), the ailment affects about one in eleven people worldwide. The number has quadrupled to 422 million over the last 35 years, with most patients in developing countries.

About four times the budget allocation to healthcare spending is spent on diabetes alone.

If sugar tax comes into existence, eatable products such as ice creams and chocolates may become costlier.

CO-GEN/ POWER

Would soon file cases against US for WTO norm violation: Piyush Goyal

Coming down heavily on the developed nations, including the US, for “speaking a lot on clean energy but doing nothing”, Union Minister Piyush Goyal today said he would soon file 16 cases against the US for giving protection to solar panel producers in violation of WTO norms.

“The US, which is articulating the inconvenient truth, while India is doing convenient action, uses seven times more coal per capita than India. Even on clean energy finance, the developed world has spoken a lot and done zilch,” the Union Minister of State with Independent Charge for Power, Coal, New and Renewable Energy said.

He was speaking here on ‘India’s Efforts in Shaping the Global Solar Alliance’ during a lecture hosted by the Pune International Centre.

“India has the capability to lead the global efforts to take on the challenge of climate and will remain in the forefront of harnessing solar and other forms of renewable energy to make the world a better place to live.

“Optimising natural resources has been inherent in the Indian way of life for thousands of years and the country is eminently suited to demonstrate to the world how practical it can be to utilise solar energy for the development of remote and undeveloped areas,” Goyal said.

Terming the ‘International Solar Alliance’ a demonstration of India’s concern for issues of climate change, he said the traditional ethos of conservation makes India a natural country to lead the world efforts in the area of climate change.

(Source-<http://indianpowersector.com/2016/04/would-soon-file-cases-against-us-for-wto-norm-violation-piyush-goyal/>, published on 11th April, 2016)

Mysuru city goes solar to beat power shortage

The growing demand for electricity, decline in availability of non-renewable sources of energy and impact of global warming has led to Mysuru residents taking to solar projects in a big way. While the Mysuru City Corporation has delayed implementing many of its projects, private organizations are setting up solar units on their premises.

The renewable energy initiative under the solar city project, which was proposed in 2012 with the support of the Union ministry of new and renewable energy to develop Mysuru as a solar city by 2015, didn’t really take off due to various reasons. MCC council opposition party leader JS Jagadish said MCC has failed in implementing the programme.

While MCC was dilly-dallying in implementing it, many private organizations have fitted solar energy units on their rooftops to generate power for their use as well as sell it to the Chamundeshwari Electricity Supply Corporation (CESC) for a profit.

Recently, multi-specialty Sigma Hospital at Saraswatipuram installed a 25kW solar power generation unit on its rooftop as did Kaliyuva Mane, a special school in Kenchalagudu village managed by an NGO. The Maharaja Institute of Technology (MIT) also set up a solar power generation unit and became the first educational institution in Mysuru to go solar.

Maharaja Education Trust president S Murali said as the institution received insufficient power from CESC, it decided to go solar to meet its power needs. Under the power purchase agreement (PPA) with CESC, it sells excess power to the grid at a fixed tariff of Rs 9.56 per unit for 25 years.

Sigma Hospital managing director S Gnan Shankar said the hospital is the first in the state to install solar panels on the rooftop, "By installing the solar unit, we've been able to reduce 100kg of carbon footprint per day. The hospital is eco-friendly and power self-reliant," he said.

Recently, Mysuru Industries Association general secretary Suresh Kumar Jain also wanted solar streetlights in Mysuru to save electricity

(Source- <http://indianpowersector.com/2016/04/mysuru-city-goes-solar-to-beat-power-shortage/>, published on 11th April, 2016)

Coal India's stock is a good pick if it falls any further

Coal India's stock is down 5% since the company announced its muted dispatch numbers for March. But any further decline will provide a good opportunity to buy as the drop in dispatch appears temporary. Although the near-term trend is likely to remain muted, Coal India's volumes are expected to pick up after a couple of months. Besides, high dividend payouts resulting from its business with high cash flow are major incentives.

Production and dispatch volumes are expected to remain high After the Modi-led government assumed power at the Centre in May 2014, the volumes picked up sharply and the trend has sustained for the past several months. In 2015-16, the growth in production was 8.6% and in dispatch it was 8.8% over that in the previous year.

However, the low production and dispatch growth of about 3.5% in March was due to strong dispatch growth from September 2015 to January 2016, ranging from 9% to 15%, which resulted in high inventories at the power plants. According to the data available, the stock with the power plants is 27 days compared to 18 days a year ago. So the dispatch should pick up once the inventory comes down.

Another important thing is that the imports have been slowly getting replaced. Earlier, despite having an agreement with CIL, companies were forced to import due to low availability of domestic coal. However, the imports came down about 8.5% in 2015-16.

Besides, the financial position of state electricity boards, which curb their production due to inability to pay, will improve gradually due to UDAY (Ujwal Discom Assurance Yojana), which industry says is proceeding smoothly

(Source-<http://indianpowersector.com/2016/04/coal-indias-stock-is-a-good-pick-if-it-falls-any-further/>, published on 11th April, 2016)

India-Iran sign agreements on crude oil imports, gas field development

Eyeing to step up energy partnership in the post-sanctions period India and Iran have signed an agreement that involves crude oil imports, petrochemical complexes and gas fields development besides Delhi making an announcement of \$20 billion for strategic Chabahar Port complex during ongoing two-day visit of Oil Minister Dharmendra Pradhan to Tehran.

Pradhan who met his Iranian counterpart Bijan Zanganeh in Tehran Saturday also discussed on increasing India's import of Iranian oil from its current 350,000 barrels a day. "We hope this number will increase now that sanctions have been lifted," Zanganeh told Iranian news agency Shana after his meeting with Pradhan.

A high-level delegation of Indian major oil and energy firms who accompanied the Minister, also evinced interest in Iran's oil, gas and petrochemical projects, government sources here said.

The two ministers signed a cooperation agreement encompassing oil exports, petrochemical operations and gas-field development on the occasion, sources said.

Pradhan addressing a joint press conference on Saturday with his Iranian counterpart said, "Iran and India's energy ties are no longer limited to crude oil imports," and that India was ready to invest \$20 billion in the port of Chabahar in Southeastern Iran. He added that "energy sector can be determining in development of Tehran-New Delhi relations." India has already extended over \$ 100 million Line of Credit for berths and jetties at Chabahar.

India's participation at Farzad-B gas field topped discussions between the two Ministers, sources informed. Last year ONGC submitted a proposal of \$ 3 billion for development of Farzad-B field.

(Source- <http://indianpowersector.com/2016/04/india-iran-sign-agreements-on-crude-oil-imports-gas-field-development/>, published on 11th April, 2016)

ETHANOL

Is ethanol making environment-friendly?

Debates help in clearing misconceptions about issues central to the national interest. For example, recently, there was talk that molasses, a by-product of extraction of juice from cane by sugar factories, should ideally be used for making chemicals and liquor than ethanol. Chemicals offer the highest value addition to molasses and states earn substantial revenue when liquor is made from the cane by-product. Going further against the renewable fuel, it is contended ethanol is not as clean as it is made out to be and the energy value per unit of ethanol is less than the energy used to make it.

Despite all such arguments, developed and emerging nations are promoting the use of renewable energy of various kinds, to reduce their dependence on fossil fuels and cut their carbon footprints. It is natural that major cane-growing countries will be producing ethanol, either from molasses or directly from cane as is the case with Brazil. In the current Brazilian cane crop year that started this month, the country's sugar sector is likely to use 58 per cent of the expected 622 million tonnes (mt) of the cane crop for direct ethanol production. But, because of emerging weakness in petrol prices, the Brazilian cane allotment is likely to undergo change in favour of crushing for sugar.

As for chemicals units in India, the global price of molasses come into play in deciding the proportion they will use foreign-origin and local stuff in a year. Now that the sugar sector here has built ethanol production capacity of 2,239 million litres and Delhi, in step with globally accepted practice has made it mandatory for oil marketing companies (OMCs) to blend the renewable fuel with petrol, sugar factories with ethanol plants have found a steadily growing and remunerative outlet for molasses. The process of blending ethanol with petrol began here in 2007. Last year, against OMCs inviting tenders that would amount to 10 per cent mixing of ethanol, sugar factories pledged 1,200 million litres, taking the country close to five per cent blending. Taking the programme forward, based on local availability and mounted on a fixed ethanol pricing policy, the January OMC procurement programme sought 10 per cent mixing for eight states but five per cent countrywide.

The target to blend ethanol in bigger proportions with petrol is driven by two considerations, to curb carbon emissions and to strengthen a revenue channel for sugar factories."Because of its high oxygen content, ethanol blends well with petrol and the mixed material burns well in car engines. As a result, vehicle running on blended fuel will cause less pollution than one burning petrol alone," says Abinash Varma, director-general, Indian Sugar Mills Association. His claims are backed by

Indian Institute of Technology, Delhi, and Indian Oil Corporation research results. Cane-based bio-ethanol being among the "cleanest fuels and with capacity to curb car emissions" is finding growing favour with many developed countries, though they are import-dependent.

Sugarcane growing requires large volumes of water. But, then, India is the world's largest consumer at 26 mt a year. One might argue land and water used for growing cane can be more profitably used for other purposes. Can India with its voracious appetite for sugar afford to be import-dependent? "Certainly not," says Varma.

Reports of any setback to the cane crop in either Brazil or India will invariably send raw and white sugar prices up a few notches. We have seen recently how the market went aflutter on news of five mt world sugar deficit this season. Moreover, how can the country abandon 50 million farmers and their families making a living out of growing cane?

Also, consider the employment that 550 sugar factories provide and the large number engaged in distribution of the commodity. If India stops making sugar, then in a stroke, 5,000 Mw of electricity that cane crushing units give to the grid after meeting their own requirements of 3,000 Mw will disappear. Better farm practices and introduction of drip irrigation on a large scale will make the cane crop's water use more efficient.

Thought of the day

"A positive attitude causes a chain reaction of positive thoughts, events and outcomes. It is a catalyst and it sparks extraordinary results." - Wade Boggs