

NEWS FLASH –22nd June, 2016

SUGAR

Sugar exports: NDA's 'cheeni kum' moment for farmers

The NDA government's decision to impose 20% tax on export of sugar is baffling to say the least. The same NDA has set an ambitious target of exporting 4 million tonnes in September last year giving a major fillip to the industry that was in the slump for the past few years.

Sugarcane farmers arranging their crop.

Last week, the Finance Ministry had said that the government's decision to tax export of raw, refined and white sugar exports is being done to keep domestic prices of sugar in check. This may have been a pre-emptive measure as production of sugarcane is expected to be lower than the previous year of 28 million tonnes.

The question is if the government knew that production of sugar will take a hit as early as August last year, then why try to incentivise exports? Some states governments like Maharashtra went a step further by giving sugar mills a 3 per cent tax rebate if they could export 12 per cent of their output in the period from October 2015-September 2016. The central government then set an export target of 4 million tonnes, only to impose a 20% tax on it a few months later.

Plan to levy tax could hit 75,000 tonnes sugar exports:

This comes as a double whammy for sugar mills. Unlike other crops, sugarcane is politically sensitive. Vested interests ensure that the Minimum Support Price is always kept high irrespective of the prevailing prices. As per Indian Sugar Mills Association (ISMA) data, planting of sugarcane has gone up from 4,175,000 hectares to 5,307,000 hectares while production increased from 2,923 lakh tonne to 3,668 lakh tonne in the past 6 years. This means that cost of production for mill owners has kept increasing over the years due to MSP and more sowing of sugarcane, but prices have remained low.

Sugarcane arrears down at Rs 6,225 crore

If the tax was not levied on sugar companies, they could have wiped out losses of previous years with an export target of 4 million tonnes. It would have resulted in bringing down the cane arrears of farmers which stand at Rs 6,225 crore. This will have direct, adverse consequences on the farmer- the lowest rung in the food chain. As losses generally mount for sugar companies, so do the arrears to farmers. In their attempt to protect the consumer, the government seems to have given up on protecting the interest of the farmers.

(Source- <http://sugarnews.in/sugar-exports-ndas-cheeni-kum-moment-for-farmers/>, published on 21st June, 2016)

Central govt wants UP to take over erring sugar mills

The Centre has requested the Uttar Pradesh government to take over one sugar mill, setting an example for all defaulting sugar factories in the state, which have not yet paid dues to cane farmers.

The minister of state for agriculture, Sanjeev Balyan, has written to the UP chief minister Akhilesh Yadav seeking strict action, including jail for defaulting sugar mill owners.

"The state must take over at least one mill to set things right," he said. He also offered the Centre's help if such an action is contemplated. The total cane arrears in Uttar Pradesh are estimated at about Rs 2,100 crore. Of this, four sugar companies between them have owed dues worth Rs 1,800 crore.

Cane arrears is a big issue in UP. Four mills, Mawana, Modi, Simbhaoli and Rana Sugars, owe Rs 1,800 crore dues to cane farmers.

Balyan said the defaulting mill owners should be arrested. The state government is not taking stringent action against defaulting mills despite a law in place, he said, adding, "If the government arrests one mill owner, the rest will start making payment to farmers."

According to rules, the mill has to pay farmers all dues within 14 days of purchasing the cane. Failing to do so would entail imposition of a simple interest to be paid to farmers.

Sugar rates are now at favourable levels for mills and they should have made payments promptly. Companies like Bajaj Hindustan, which has 13-14 mills in the state, has paid only half of its dues, he said.

Balyan, who is the BJP MP from Muzaffarnagar, said that the state government has not taken any action despite his writing several letters to the chief minister.

The four defaulting mills have not received working capital from banks and bank on sugar sales to make the payment to farmers. Sugar production in Uttar Pradesh, India's second largest state after Maharashtra, is estimated to decline to 6.8 million tonnes in 2015-16 season (October-September) from 7.1 million tonnes in the previous year.

The fall in sugar output has been attributed to drought.

(Source- <http://www.indiansugar.com/NewsDetails.aspx?nid=5697>, published on 21st June, 2016)

Co-gen/Power

Dealing in ESCerts: Bringing energy efficiency to Indian Power Exchanges

Introduction

There exists a large potential in India as far as the achievement of energy efficiency is concerned and it is up to the Indian policy-makers, regulators and obligated entities to ensure that India realizes this potential to the fullest.

The Energy Conservation Act, 2001 paved way for the energy efficiency in the country to provide for efficient use of energy and its conservation. The Act also provided for the establishment and incorporation of Bureau of Energy Efficiency (BEE) in March, 2002 as a statutory body under the Ministry of Power (MoP). On 27th May, 2016 Central Electricity Regulatory Commission (Terms and Conditions for Dealing in Energy Savings Certificates) Regulations, 2016 were notified to define a framework for dealing in ESCerts through power exchanges.

The ESCerts are to be traded in line with PAT (Perform Achieve Trade) scheme under NMEEE (National Mission on Enhanced Energy Efficiency) by NAPCC.

About ESCerts

ESCert is an instrument issued by the Central government guaranteeing the stipulated amount of energy saving has been achieved.

- Additional units of intangible bundles of societal and environmental benefits created by the energy saved over and above baseline.
- ESCerts as a tradable commodity could help to mobilize market forces and capital towards investments in energy efficiency.
- One ESCert is equivalent to one million Tons of Oil Equivalent (Mtoe) energy saved above the target savings.
- Certificates are maintained in DEMAT form to make them tradable in IEX and PXIL.

About PAT (Perform-Achieve-Trade) Scheme

ESCerts were first introduced in India in 2011 under PAT scheme propelled by BEE under NMEEE.

- The scheme recognizes 478 energy intensive units which lie in 8 industries known as Designated Consumers (DC's) which are – Aluminum, Cement, Chlor-alkali, Fertilizers, Pulp and paper, Iron and Steel, Textiles, Railways and Thermal Power Plants.
- Energy Audit by BEE has been made mandatory for these units.
- Maximum of these units is present in Gujarat, Tamil Nadu, Maharashtra and Rajasthan states.

- For the DC's, Specific Energy Consumption (SEC) target is set. The achievement of target calls for issuing of ESCerts.
- The scheme involves three phases.

Phases in PAT Scheme

Phase	Activity
Phase 1 – Goal setting phase	Setting of specific energy consumption (SEC) target for each plant on the basis of their current energy intensity. The target specifies the percentage by which a plant has to reduce its energy intensity in a 3-year period
Phase 2 – Reduction Phase	Reduction in energy intensity according to set target by the Designated Consumer. The consumers who have surpassed the SEC target are credited with tradable permits or ESCerts.
Phase 3 – Trading Phase	A penalty is levied on the consumers who fail to meet the targets.

Key Features of the Regulation

The ESCerts can only be traded through “Power Exchanges” i.e IEX and PXIL only, unless otherwise specified by the CERC.

1. The frequency of transaction of certificates on the monthly basis.
2. All eligible entities are to register themselves with the Registry and Power Exchanges before dealing in ESCerts.
3. Any entity placing sale bids more than the ESCerts held in the Registry account shall be marked as Defaulter.
4. Entities defaulting thrice in a cycle shall be barred from the transaction of ESCerts for six months.
5. The market price of the ESCerts is to be discovered through the bidding process in the Power exchange.
6. The matching mechanism for ESCerts in Power Exchanges to be closed bid double-sided auction.
7. POSOCO has been designated as “Registry”, responsible for registration of eligible entities, record maintenance, information dissemination, assisting IT development of ESCerts database and signing of a non-disclosure agreement with Administrator.
8. BEE (Bureau of Energy Efficiency) has been designated as “Administrator” with the function to act as a facilitator between Registry, Power Exchanges and Eligible Entities.

9. The power to issue directions to the matters pertaining to Regulatory affairs lies with the CERC.

Scope for Improvement

The ESCerts are issued after the verification of savings during the initial reduction phase thus, there exists no tradable price upfront. In the case of overachievement by the DC's, the supply of ESCerts will surpass demand for them, thus setting a low market price for the ESCerts and further nullifying the benefits of financial incentive for the achiever and ESCerts available at low prices to underachievers.

In order to mitigate this problem, flooring for the prices should be done, so as to ensure a minimum return on the ESCerts.

Conclusion

The issuance of Energy Saving Certificates (ESCerts) shall serve the twin purpose of financial incentives, thereby reduction in the cost as well as compliance with energy efficiency targets.

(Source- <http://indianpowersector.com/2016/06/dealing-in-escerts-bringing-energy-efficiency-to-indian-power-exchanges/>, published on 21st June, 2016)

Andhra govt plans to distribute 13 lakh five-star rated fans

About 50,000 families of Narsapur revenue sub-division in West Godavari district are slated to receive two five star-rated energy efficient fans. The distribution programme launched on a pilot basis would be inaugurated by chief minister N Chandrababu Naidu at Narsapur town on Monday.

The state is planning to distribute 13 lakh such fans in a phased manner, chief executive officer of the AP State Energy Conservation Mission A Chandrasekhar Reddy said, adding that the programme would eventually be implemented in Vizag city.

"The programme has been planned in such a way that each domestic consumer will receive two fans, commercial establishments to get 10 fans and institutions such as schools or colleges will get 20 fans. However, initially, we will distribute the fans to only domestic consumers in Narsapur," Reddy said.

As per the recommendations put forth by the AP Electricity Regulatory Commission, each fan will be sold for Rs 1,173 and a consumer would be able to buy it with 24 EMIs. APEPDCL will collect the EMI amount through the electricity bills. The Centre's Energy Efficiency Services Limited (EESL), which supplies the fans, will collect the amount from the APEPDCL.

ETHANOL

Engine sputtering? Blame humidity, water in petrol

The collective wish of the common man of running cars on water may not come true any time soon but water has indeed found its way to the petrol tank. And instead of putting a lid on your budget, it is in the process of burning a big hole in your pocket.

Since May, oil companies are blending 10% ethanol (ethyl alcohol) with petrol to decrease India's dependence on oil import and reduce carbon monoxide by up to 30%. "However, wrong practices and absence of precautionary measures is not only defeating the purpose but slowly damaging car engines," said city-based auto-emission consultant Somendra Mohan Ghosh.

Ethanol is highly hygroscopic, which means it has the ability to attract water molecules from the environment and hold them either through absorption or adsorption. Since the air in Kolkata is very humid, the absorption level of E10 - commonly known as Gasohol - is very high. "When it reaches a saturation point, ethanol releases water and they 'Phase Separate', forming two distinct layers. So in the fuel tank, there are actually three layers - water, ethanol and petrol. This phenomenon causes multiple problems in car, including high level of emission," said Professor Prabir Basu, former director of NIT and an automobile engineering expert.

The problem has left petroleum dealers hassled. "We are receiving complaints from consumers. They are accusing us of malpractices or supplying inferior gasoline. They are not supposed to understand the intricacies of the problem. In fact, oil company personnel came and brought out buckets of water from the tanker," said Kaushik Ganguly of Sunbeam Petrol Pump on Sarat Bose Road. He said that the Petroleum Dealers' Association has already protested against the problem.

"Ethanol-blended gasoline is supposed to be sold to vehicles with superior emission mechanism, like those complying with BS-IV emission standard. However, in reality, it's being sold to all vehicles, irrespective of their compliance to different emission standards. You can have serious and even catastrophic engine problems, without warning," Ghosh added.

(Source- <http://timesofindia.indiatimes.com/city/kolkata/Engine-sputtering-Blame-humidity-water-in-petrol/articleshow/52841727.cms>, published on 21st June, 2016)

Thought of the day

'Disciplining yourself to do what you know is right and important, although difficult, is the highroad to pride, self-esteem, and personal satisfaction.' -Margaret Thatcher