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The United States and its dilemma over drilling

(part II)

Lydia Powell, Senior Fellow, Observer Research Foundation

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Rather than a supply-side program oriented toward producing more conventional fuels domestically, the new legislation focused on creating tax incentives and direct subsidies for energy efficiency and renewable energy technologies. The Clinton Administration that followed quietly supported Republican policy initiatives that encouraged oil and gas drilling in deep water, tax and royalty relief for small relatively inefficient oil and gas wells. This was in line with the Democratic Party tradition of supporting domestic producers and refiners. The Clinton administration opened up lands in Alaska to drilling and supported Federal funding for development of new technologies to increase oil extraction productivity. But there was no major legislation on leasing of public lands by the Clinton administration. The Presidential campaign of George W Bush began with pledges that betrayed his interest in taking up the unfinished energy policy agenda of his father that sought access to lands for domestic drilling by oil companies. Though candidate Bush demonstrated a pro-environmental stand to take on his challenger Al Gore who was deeply entrenched in environmental activity, George Bush reverted back to his attachment to oil once he was elected President. He pushed for policies including increasing domestic supply of fossil fuels by opening up Federal Land for drilling and the use of nuclear power to reduce the dependence on foreign oil.

The National Energy Policy Development Group chaired by Vice President Dick Cheney issued the 'National Energy Policy' report in 2001 emphasising the need for increased domestic drilling to reduce the volume of imported oil. The same year the Bush administration rejected the Kyoto Protocol which intended to reduce CO₂ emissions of industrialised nations to 5 percent below 1992 levels, on the grounds that this would impede economic growth and that the exclusion of less developed countries such as China and India was unfair.

Despite pressure from the Bush administration, proposals in the Energy Policy Act 2005 which were based on conclusions from the report on National Energy Policy succumbed to interest group tensions from both the right and left of the political divide and once again excluded the two most important provisions that would have decreased imported oil: increase in domestic exploration and drilling and increase in automobile efficiency standards, replicating the fate of the Energy Policy Act of 1992 enacted by his father. Increase in domestic drilling was the key pursuit of oil companies and politicians who sought to improve 'national security' by limiting imported oil. On the other hand, environmentalists demanded more stringent automobile fuel efficiency standards to decrease domestic oil demand.

However the Act of 2005 cleverly inserted an authorization of an inventory of all OCS areas, taking the matter one step closer to drilling along with a bill on opening offshore acreage for drilling which had been sweetened with the offer of a large share of Federal royalties to the States. Eventually a separate Bill was signed into law in 2006 opening up OCS lands for drilling compromising between interests of disparate parties. The policy outcome to open up the OCS for drilling had taken nothing less than three decades to materialise despite the powerful machinery of oil companies having pushed it with the phenomenal resources at their disposal. This was in stark contrast to the era of abundance when oil companies could just wish for a policy and have it granted with no credible contest from other industries or lobbies. [TOP](#)

The OCS Bill faced opposition from both within and outside the Government as well as from a host of non governmental organisations. Within the Federal Government there were many who did not in favour of the Bill as they felt it was fiscally irresponsible. Given the size of the Federal Budget deficit and future Social Security and Medicare obligations, they argued that the Federal Government was in no position to give away big revenue streams. After taxes, drilling royalties were the American Government's biggest revenue source and opponents of the Bill argued that the Coast belonged to all Americans, as did the Pacific and Atlantic Oceans, the Great Lakes and other public lands. With record deficits, it was considered simply irresponsible of the Federal Government to add billions more in new debt through legislation as the Bill would effectively drain \$170 billion from the Federal treasury over the next 60 years.

Environmentalists like the Sierra Club also fought the measure but for completely different reasons. They argued that tying coastal restoration funding to money derived from new offshore drilling would simply exacerbate the problem. They pointed out that there was no logic in funding restoration when there was



agreement that oil and gas drilling in the Gulf of Mexico had contributed to the destruction and loss of Louisiana wetlands. They also argued that American consumers would be better served if the Congress pursued measures to cut crude oil consumption, which stood at about 21 million barrels per day in 2006. Other foes of the legislation feared that it would lure States opposed to offshore drilling such as California, Virginia, Florida and North and South Carolina into supporting exploration off their shorelines in return for a flow of new revenue. In response, the White House argued that the Bill would help reduce America's dependence on imported sources of energy by increasing access to domestic sources of oil and gas. To the surprise of many who opposed the Bill, the other 46 States which would not derive benefit from the legislation did not raise strong objections to the Bill. The States which originally demanded half of Federal revenues settled for 37.5 percent when it was agreed that the remaining 12.5 percent would go into a conservation fund to be used for all 50 States, a move that was cleverly designed to blunt environmental objections to new drilling and also thwart opposition from other States. [TOP](#)

To ease Congressional concerns that Louisiana would treat the royalties as a windfall for general spending, the State amended its constitution to restrict use of the money to restore coastal wetlands and take measures to protect such energy infrastructure as ports, pipelines and oil refineries. Natural gas users, from farmers to manufacturers, backed the drilling bill because they hoped the extra supplies would mean lower energy bills. It is believed that Natural Gas in the area would be enough to heat 6 million homes for 15 years. Winning the support of home owners, farmers and manufacturers who were traditional users of natural gas was among important factors that contributed to the success of the Bill.

The revenue sharing provision in the Bill also prompted sharp debates. The States share of revenue was anticipated to be several hundred million a year initially, which was estimated to grow into the billions of dollars a year after 2017 because of increased production and expansion of the royalty sharing arrangement to all Gulf production. The Gulf Coast States, which currently get less than 2 percent of all royalties collected from offshore production, had argued that new revenue sharing was long overdue. After hurricane Katrina and Rita hit the region in 2005, the Gulf Coast States were able to tap into sympathy and concerns over the country's energy infrastructure and appropriate a large share of the revenue. However the extent of revenue flow to the States was concealed because of the way legislation was scored for budgetary purposes. The money diverted from the Treasury to the States did not show up in the Bill's cost estimates. Moreover, as the States share of future drilling revenue would not come in for more than 10 years, beyond the window used by Congressional budgeters it was acceptable to Federal administrators. In the final form, the new legislation argued that opening up of new areas for drilling was a plus for Federal revenue. This helped cover other giveaways in the tax extender bill the drilling measure was attached to. Many of the giveaways were directed towards interest groups that would have otherwise contested the idea of increased domestic drilling. One was the ability to depreciate 50 percent of the cost of a cellulosic ethanol plant in its first year of operation. Despite the talk about this potential energy source, technological and financing issues remain and lawmakers do not expect more than one plant to be built before the end of 2012. House and Senate Democratic leaders did not attempt to rally their party caucuses against the offshore drilling measure despite fiscal and environmental objections as millions of jobs for middle-class Americans depended on continued natural gas supplies.

The 1960s, which was a period of passion and ecological panic in the United States facilitated the emergence of 'nature' as the new object of worship. Oil and gas drilling and production along with coal mining became incarnations of evil and the target of attack by the public. The Government responded with a mine-field of environmental legislations against offshore drilling and mining. Though the 2006 legislation that increased access to federal land for drilling is a remarkable victory for the oil company lobbying, the creeping success of oil companies cannot be overestimated. Administrative institutions have redesigned their rules, changed seniority regulations and diversified energy committee structures that deliberate on policy proposals. The number of committees and subcommittees seeking a role in decision-making concerning energy supply has multiplied rapidly. [TOP](#)

Moreover decades of crisis politics, followed by unleashing of market forces and mobilization of interest groups have left the oil companies less able to control decisions affecting them and less likely to be able to fend off future episodes of compensatory intervention. Unlike the 1940 and 50s when the policy community consisted primarily of oil company executives, the current environment is crowded with representation from every conceivable group, from households to corn farmers, from economists to environmentalists thus increasing the number of veto points. Growing influence of the consumer, public interest and environmental groups hostile to the oil industry and its goals, have rendered the oil industry vulnerable to uncertainties that are more complex and more expensive to 'manage'.

Concluded

Views are those of the authors

Author can be contacted at lydia@orfonline.org



Upstream

RIL & ONGC get D6 extra times to drill wells at gas field KG-D6 relief

July 19, 2010. Reliance Industries (RIL) may be able to establish more commercially-viable oil and gas finds in the country's largest gas field KG-D6 with the Cabinet allowing the company extra time for drilling wells. Two other operators, ONGC and Eni, have been allowed similar extension, benefiting 30 blocks in all.

The extension will help RIL complete evaluation works in at least three wells in the KG-D6 block where drilling was not authorised by the concerned regulator Directorate General of Hydrocarbon (DGH) after the company missed the deadline. DGH, the technical arm of the oil ministry, is the custodian of country's oil and gas assets.

RIL is drilling several appraisal wells in the KG-D6 block awarded to it in the first round of the new exploration licensing policy (NELP-I), hoping to find more oil and gas there. Drilling an appraisal well is a crucial step to establish whether a hydrocarbon discovery in a particular area is commercially viable or not.

The government allows an exploration firm to submit a development plan for exploiting the find only after its commerciality is established. Three operators — RIL, ONGC and Eni — could not complete exploration works in about 30 blocks due to a global shortage of drilling rigs in 2007-08. The shortage was mainly due to a sudden spurt in exploration activities world-wide since 2007 due to high crude oil prices, which touched nearly \$150 a barrel in July 2008. It is currently hovering at half that price.

Reliance Industries in talks to buy stake in Quicksilver

July 19, 2010. Energy major Reliance Industries is in talks with Texas-based Quicksilver Resources, including for a possible buyout of the US firm that develops shale gas and coal-bed methane. The talks also include buying a part stake or partnering Quicksilver for one of its major projects called the Horn River Basin assets in British Columbia. Quicksilver, which is estimated to have sales of \$900 million this year, currently has two large shale basins with proven reserves of around 2.4 trillion cubic feet.

Barmer can fill 6.1 mn LPG cylinders a month

July 18, 2010. The Barmer fields of Cairn India - ONGC can service as many as 6.1 million liquid petroleum gas (LPG) cylinders per month. The Barmer fields in Rajasthan, which is a 70:30 joint venture between Cairn India and the state-run ONGC, saw an upward revision of its reserves recently. It is now estimated that the Barmer crude can yield enough LPG to fill 6.1 million domestic cylinders of 14.2 kg capacity each per month. The potential reserves of the Barmer fields is now pegged at 6.5 billion barrels of oil equivalent (BOE) in place, and the prospective resource base is now estimated at 2.5 billion BOE. Following this the discovered resource base of this field has been increased from 3.7 billion to 4 billion BOE. As production will be ramped up to 175,000 barrels oil per day (bopd) by 2010-11, the Barmer will account for over 20 per cent of the domestic crude output. The third production train will be ready shortly and will attain a processing capacity of 130,000 bopd.

[TOP](#)

ONGC to invest \$4 bn in KG block

July 15, 2010. State-owned Oil & Natural Gas Corporation (ONGC) plans to invest \$4 billion to develop the ultra-deepwater gas find and produce about two trillion cubic feet (tcf) of gas from its Krishna-Godavari basin block. DGH, is the custodian of the country's hydrocarbon assets. ONGC estimates an in-place reserve of about 4tcf of gas in the ultra-deepwater areas (UD-1), which 56 percent can be commercially produced. ONGC has so far made 10 gas discoveries in the block including UD-1. The company holds 90% equity in the project while the remaining 10 percent is held by Cairn India. ONGC had approached the DGH to appraise its finding after it discovered hydrocarbon in the block in December 2006. The directorate gave its nod to the operator to conduct an appraisal programme in early 2008. ONGC completed the same on schedule and found that the production of gas from the field was commercially viable. The commerciality will be approved by DGH soon, allowing the operator to prepare a field development plan. The field is expected to start production by 2014-15. UD-1 discovery lies at a depth of 2,841 meters.



L&T bags Rs 3.76 bn order from ONGC

July 14, 2010. Engineering and construction major Larsen and Turbo (L&T) said it has won an offshore rig refurbishment contract worth Rs.3.76 bn from state-run Oil and Natural Gas Corporation. Floating System Business Unit, a newly formed division of L&T which offers single-point responsibility for execution of offshore drilling rigs and floating production units in both domestic and international markets, bagged the contract in an international bidding. On successful completion the rig will be deployed to assist and augment offshore oil and gas drilling operations in ONGC's offshore.

Downstream

IOC to acquire oilfields in Africa in \$1 bn push

July 16, 2010. Indian Oil Corp, the country's second-biggest refiner, plans to acquire oilfields in Africa as part of a \$1 billion overseas investment plan. State-run Indian Oil's renewed plans to expand overseas came after the government freed gasoline prices from its control last month and said it will eventually allow refiners to set diesel rates, helping to increase cash flow.

The refiner has set aside \$1 billion for acquisitions overseas, Bansal reiterated. The refiner delayed crude-processing and pipeline projects overseas, including Nigeria and Turkey, because of reduced cash flow after selling fuels below cost, Bansal said in July last year. Indian Oil and Turkish builder Calik Holding had planned to spend \$4.9 billion to build a 300,000 barrel-a-day refinery in Ceyhan on the Mediterranean coast. The companies, with Eni SpA, Europe's fourth-largest oil company, had also planned to spend \$2 billion on a pipeline from Samsun on Turkey's Black Sea coast to Ceyhan to transport as much as 1.5 million tonnes of Central Asian crude oil a day.

Oil refiners may post Rs 100 bn losses in Q1

July 15, 2010. IndianOil, Hindustan Petroleum Corporation and Bharat Petroleum Corporation are expected to post net losses of nearly Rs 100 bn combined for the first quarter of this fiscal. Fuel losses for the period are closer to Rs 190 bn of which, a third would be made good by the upstream trio of Oil and Natural Gas

Corporation, Oil India and Gail (India). The refiners would have to take the hit for the balance (after factoring in some forex gains) with no possibility of any compensation coming in from the Centre in the coming days. Ideally, the companies would prefer earlier compensation as the time lag only results in higher interest costs and more borrowings. A policy framework for deregulation is in place with petrol practically out of administered pricing with marginal hikes implemented in diesel, kerosene and cooking gas. All these have resulted in total fuel losses for the fiscal down to Rs 550 bn (from the earlier levels of Rs 750 bn), of which, a big chunk will be part of Q1. The refiners are hoping that crude stays within the ambit of \$80 a barrel since any unexpected jump can be catastrophic from the viewpoint of losses piling up.

Transportation/Trade

Air Products to supply gases to POSCO in India

July 16, 2010. Air Products announced that INOX Air Products, its joint venture in India, has signed a long-term contract with POSCO Maharashtra Steel Private Limited (PMSPL) to supply on-site nitrogen and hydrogen gases to its new facility located in Vile Bhagad, Maharashtra, Western India. The site will be POSCO's second steel galvanizing project outside of Korea and the first investment for production in India. INOX Air Products will build and operate a high purity nitrogen plant and a steam methane reformer (SMR) hydrogen plant designed to meet the specific requirements of PMSPL's facility in Maharashtra.

PSU price-fix mutes fuel decontrol

July 15, 2010. State-run oil companies will get together to fix the freed up petrol prices once a month, aiming uniform prices across the three firms' pumps, taking sheen off the much touted oil sector reforms. Officials of the Indian Oil Corp, Bharat Petroleum Corp and Hindustan Petroleum Corp which have near monopoly in fuel distribution, at their meeting with oil ministry officials, have decided to consult each other in pricing petrol. The firms' losses may continue and private sector will probably remain out of oil marketing. Shell India has put its



outlets for sale. The group headed by the union finance minister Pranab Mukherjee approved a Rs 3.5 a litre increase in petrol price in Delhi, which was said to be the market determined one. It raised diesel price by Rs 2 a litre, Kerosene by Rs 3 a litre, and cooking gas by Rs 35 a cylinder. Private fuel retailers, such as Reliance Industries and Essar Oil, are incurring huge losses due to subsidised sale of fuel by state-run companies. They have shuttered many outlets. The ambiguity in communicating the group of ministers' decision was raised by a senior finance ministry official earlier this month. [TOP](#)

Policy / Performance

RIL battles Oil Min over Essar order

July 20, 2010. Upping its ante against the oil ministry, Reliance Industries has refused to give natural gas to new customers by cutting supplies to power and fertiliser plants saying the ministry's order was in violation of the gas utilisation policy and wants panel of ministers to discuss it. The Oil Ministry had on July 12 written to RIL asking it to make a "pro-rata" cut in gas supplies to all existing customers if the production from its eastern offshore KG-D6 fields cannot support new customers like Essar Oil's Vadinar refinery. RIL on July 15 wrote to Petroleum Minister Murli Deora saying it had not signed contracts to supply KG-D6 gas with customers like Essar, as they were not ready to receive gas when available and so allocation made to them has lapsed. The Gas Utilisation Policy, as framed by an Empowered Group of Ministers, provides for no reservation of gas and users, who said will be able to take gas before end of 2009-10 fiscal, were allocated gas. RIL's KG-D6 fields can sustain a production of only 60 million standard cubic meters per day and the company has already signed or committed to sign Gas Sales and Purchase Agreements (GSPAs) for 57.8 mmscmd.

AP asks gas regulator to clear piped gas plan

July 18, 2010. The Andhra Pradesh Government has asked the Petroleum and Natural Gas Regulatory Board (PNGRB) to clear the proposal to provide piped gas to people in 12 districts of the State. Mr K. Rosaiah, the Chief Minister, said the State had prepared and submitted a detailed plan to the board.

Diesel to cost less in Delhi

July 16, 2010. Diesel sold in Delhi may be cheaper by Rs 2.70 a litre as the Delhi government is set to reduce sales tax on the auto fuel from 20% to 12.5% from July 20. The move will help petrol pump dealers who had lost about 50 percent of their diesel sales to the neighbouring states. Sales tax on diesel in Haryana is 10%, Punjab (12.5%) and UP (17%).

Rajasthan plans coal gasification in lignite-rich basins

July 16, 2010. Rajasthan State Petroleum Corporation Ltd — a wholly-owned subsidiary of Rajasthan State Mines and Minerals Ltd — plans underground coal gasification (UCG) programmes at its vast lignite deposits at the Barmer-Sanchore and Bikaner-Nagpur basins in western Rajasthan. It aims to produce syn-gas (a mixture of various amounts of carbon dioxide and hydrogen) having lower energy density than natural gas and often used as fuel. The gas may also be used as an intermediate for producing synthetic petroleum. The company issued a tender on June 12 seeking expressions of interest for exploration, development and commercialisation of the projects. In 2004, oil and gas major ONGC had mooted one such programme with technical support from the Stochinsky Institute of Russia in the coal-rich eastern region. The company also entered into an MoU with Coal India Ltd for the project. In 2005, the company proposed a pilot project in lignite-rich Tamil Nadu in collaboration with Neyveli Lignite Corporation. None of the projects has, however, made any headway. [TOP](#)

RIL moves CCI against public cos' ATF 'cartel'

July 15, 2010. Reliance Industries (RIL) has approached the Competition Commission of India (CCI) alleging that state-run oil companies have formed a cartel to supply aviation turbine fuel to national carrier Air India. India's largest company by market value has plans to foray into aviation fuel supply. An RIL spokesperson refused to confirm the development. The complaint has been filed under sections 3 and 4 of the Competition Act, which pertain to anti-competitive agreement and abuse of dominant position. National Aviation Company of India (Nacil) that runs Air India floats tenders for ATF supply. RIL has complained that state-run firms IOC, BPCL and HPCL have formed a cartel while bidding for ATF supply to Air India, the CCI official said, requesting anonymity. The price of aviation turbine fuel (ATF) changes every fortnight, as it was decontrolled in 2002. Aviation analysts, however, say that supply of ATF may not be a lucrative option for private firms as most



aviation companies are struggling to pay their fuel bill. As per industry estimates the total payment due is over Rs 22 bn for the three largest carriers including Air India. [TOP](#)

No tax break for new gas finds

July 15, 2010. The finance ministry appears to have sealed the fate of forthcoming auctions of exploration acreages. The revenue department has rejected the oil ministry's suggestion to extend the seven-year tax holiday under the New Exploration Licensing Policy to gas discoveries in the ninth bidding round. Under the circumstance, extending the tax holiday to gas finds from concessions auctioned in the ninth round would defeat the purpose behind the government's efforts to phase out to profit-linked deductions and bring in investment-linked incentives for identified sectors. Since both oil and gas have subsurface existence and many times is found in the same acreage, the anomaly over their definition in the IT Act had dampened investor sentiment in the eighth round of acreage auction.

The anomaly arose after the 2008-09 Budget scrapped the tax holiday on natural gas production from auctioned fields. Following a tepid response in the eighth bid round, the oil ministry took up the issue with the finance ministry which provided relief by extending the incentive to the eight round as a one-time reprieve in 2009-10 budget. But with no similar relief, the ninth round appears to be doomed, particularly in view of the still-tight global financial position and comparatively low oil prices.

Boost for city gas projects as regulator gets licensing powers

July 14, 2010. The Government is set to strengthen the powers of the Petroleum and Natural Gas Regulatory Board (PNGRB) by allowing it to grant licences to companies for taking up city gas projects — piped natural gas (PNG) and compressed natural gas (CNG). With the notification of Section 16 all uncertainties pertaining to powers of the Board to either conduct the bidding or offer licences to successful bidders for taking up city gas projects in the cities will be put to rest. The Board also gets the authority to invite bids and issue licences for oil product pipelines as well.

The Delhi High Court had restrained the Board from issuing any licence for such projects till the Government clarified on the position. Certain companies that were either bidding or implementing city gas projects had questioned PNGRB's rulings or authority. Ambiguity in the Board's powers had led to them to approach various courts.

After deliberations with the Law Ministry, the Petroleum Ministry has decided to notify the Section 16 of the PNGRB Act. Section 16 gives explicit powers to the regulator to issue authorisations for city gas operations. Once the notification is issued the regulator will then inform the court concerned about the development. The Government plans to expand the piped cooking gas network to more than 200 cities. Currently, piped cooking is available in 10 cities. It will help Government cut down on subsidies it currently pays for domestic LPG cylinders. Moreover, expansion of city gas network will help oil marketing companies divert domestic cylinders to rural areas.

IOC, gas agency to pay Rs 5L for supplying defective cylinder

July 14, 2010. The National Consumer Commission has directed the Indian Oil Corporation and a gas distribution agency to pay a compensation of Rs five lakh jointly to a man for deficiency in service which led to a cylinder blast in which he lost his wife. The Commission passed the order on an appeal by a Bangalore-resident D Shankar challenging the Karnataka State Consumer Commission's decision against it for his failure to prove that the gas cylinder had been drawn from the distributor. The Commission said the complainant was a customer of the agency. The Commission said the exchange of letters between the complainant and IOC as well as the agency till March 1995 lent strong credence to the substance of Shankar's contentions. [TOP](#)

National: Power

Generation

4 proposed nuke plants hit green roadblock

July 20, 2010. Four new nuclear power plants proposed by Nuclear Power Corporation of India have run into trouble with the environment and forests ministry rejecting their initial applications for statutory environmental clearances. NPCIL has proposed four power plants, one each at Fatehabad in Haryana (2,800mw), Mandla in Madhya Pradesh (1,400mw), Srikakulam in Andhra Pradesh (6,000mw) and Bhavnagar in Gujarat (6,000mw).



NPCIL intends to build these plants in three years once construction gets underway. The statutory expert appraisal committee of the ministry has sent back the applications for all four projects, pointing out that they lacked documentation on several counts. The applications had been filed with the ministry to secure what is referred to as "terms of reference" for conducting an environmental impact assessment study. The committee noted that in each of the four cases, even simple statutory forms had not been completed properly and information on land use was missing.

NTPC's 490 MW Dadri unit-II synchronised

July 19, 2010. NTPC Ltd has said it is starting commercial operations at its second coal-based 490 MW power plant at Uttar Pradesh's Dadri to provide electricity to the Capital for the Commonwealth Games. The new plant, along with another unit of similar capacity, which came on-stream early this year, will provide 90 per cent of its power output for the Games in October, the company said in a statement. The remaining 10 per cent will be given to Uttar Pradesh.

BHEL gets \$567 mn order for power plant

July 19, 2010. Energy equipment maker Bharat Heavy Electricals said it got an order worth Rs 26.65 billion (\$567 million) for setting up a 1,200 megawatts thermal power plant from Dainik Bhaskar Power Ltd.

Essar arm to invest Rs 90 bn in Orissa power project

July 14, 2010. Essar Power, a unit of London-listed Essar Energy said it will invest \$2 billion, or around Rs 90 bn, to develop a 2,250 megawatt coal-fired power project in Orissa, after acquiring the company that was formed to build the power project. Essar Power will initially buy 76% in Navabharat Power that recently got all approvals to build the thermal power project in Dhenkanal district along with the coal mine linkages. Sources close to the development said that the value of the acquisition of Navabharat Power would be around Rs 3 bn. The Dhenkanal power project is being implemented in two phases — 1,050 mw in the first phase and 1200 mw in the second. It also includes development of a coal mine with a reserve of 112 million tonne. The special purpose vehicle (SPV) has been allocated the Rampia coal block in Orissa and a tapering coal linkage of 4.7 mt from Coal India.

Transmission / Distribution / Trade

Tiana Power ties-up with KOPEC for cheap power

July 20, 2010. Pune-based Tiana Group company, Tiana Power Projects, said it has signed a Memorandum of Co-operation Agreement with Korea Power Engineering Company (KOPEC) to provide power in the country at affordable rates. KOPEC, a subsidiary of the South Korean government-owned Korea Electrical Power Corporation has executed several projects in power generation, transmission and distribution across geographies. Under the agreement, Tiana Power will be the principal promoter, developer and owner of power projects and KOPEC will bring in its technical and engineering expertise, it said. This is a first-of-its-kind technological and engineering partnership between a Korean government enterprise and a Pune-based power company to provide power at affordable prices to the people of India, the release said. The Group is currently envisaging the implementation of three power projects in Maharashtra, Andhra Pradesh and Kerala with a total capacity of about 4,500 MW. Tiana Power has also signed a GSA (Gas Supply Agreement) with Bharat Petroleum Corporation Limited for supplying gas to some of the gas-based power projects in Kerala. KOPEC's principal activities include the design, engineering, construction and project implementation in various countries.

Nava Bharat Power unit stake sale

July 18, 2010. Nava Bharat Ventures Ltd, which has recently entered into an agreement with Essar Power Ltd for sale of 52 per cent stake in the 1,050 MW thermal plant under execution in Orissa through its subsidiary Nava Bharat Projects Ltd, has realised Rs 840 mn from 26 per cent stake sale. The company, which has agreed to sell an additional 26 per cent of the 52 per cent, will be for a consideration of Rs 850 mn at a later date. The company had entered into an agreement to exit additional stake in the power plant in favour of Essar Power Ltd, on fulfilling some project milestones.



India PTC signs 700,000T/yr Indonesia coal deal

July 20, 2010. Power trader PTC India has signed a five year agreement to buy 700,000 tonnes of Indonesian coal a year for sale to Indian power projects, its chairman T. N. Thakur said. Thakur said PTC Energy, fully owned by PTC India, has signed a five year contract with a company, which has a stake in an Indonesian coal mine. India has 10 percent of the world's coal reserves, the biggest after the United States, Russia and China, but its coal imports have grown rapidly to an estimated 70 million tonnes in the fiscal year ended March. Thakur did not elaborate on the price at which the deal has been struck. The country's thermal power generation in June was constrained by limited availability of coal. Thakur said the company has already sold 300,000 tonnes of coal to power producers in the April-June quarter and hoped to sell the remaining 400,000 tonnes in rest of the fiscal year. He said PTC Energy had also executed about 40,000 tonne of spot sale-purchase of coal during June quarters. [TOP](#)

Rs 100 bn power project for NE

July 20, 2010. Union Power Ministry proposed a project for improving the power transmission and distribution network among the states of the north eastern region costing Rs 9890.16 crore. The total cost of the proposed project would be shared among the eight states of the region, Manipur (Rs 727.67 crore), Nagaland (Rs 1209.19), Assam (Rs 2710.87 crore), Meghalaya (Rs 1363.76 crore), Mizoram (Rs 714.01), Tripura (Rs 970 crore), Arunachal Pradesh (Rs 1180.27 crore) and Sikkim (Rs 680.29 crore). The rest Rs 333.73 crore will be inter-state share. Once, the Composite Scheme of Development of Intra State Transmission and Distribution Network in the North Eastern states gets implemented the existing system of power transmission and distribution network in the region would be improved and enhance reliability in the region. Manipur had agreed "in principal" to participate in the proposed venture. Others stated like Assam, Tripura had already moved ahead for implementation of the scheme, the source added.

Kerala hydel power projects facing LTTE threat

July 20, 2010. The Intelligence Bureau has alerted the State Government about a possible attack by the LTTE or fundamental outfits on the hydel power projects in the state. The security of the power projects was tightened in view of the IB alert. The revelation of the minister has come at a time when the state is facing serious concerns over internal security. Earlier also there were unconfirmed reports that extremist organisations may target the sensitive power projects in the state. In the wake of the serious threats to the internal security, the State Government has also constituted a Internal Security Investigation wing to probe into the activities of terrorist outfits in Kerala.

Regulatory commissions can decide power tariffs, rules Supreme Court

July 19, 2010. The Supreme Court has ruled that the electricity regulatory commissions are vested with the powers to fix tariffs for electricity. The court set aside the order of the Appellate Tribunal for Electricity which had ruled that Andhra Pradesh Electricity Regulatory Commission has no such power. The apex court, however, asked AP Electricity Regulatory Commission to examine the issue of whether the private power developers could be permitted to sell the electricity to third parties other than the state-owned utilities. The tribunal in its order passed on June 2, 2006 had said that AP Electricity Regulatory Commission has neither the power nor jurisdiction to compel the developers to sell the power generated by them to APTRANSCO and/or DISCOM. The AP Electricity Regulatory Commission, Transmission Corporation of AP, Central Power Distribution Company of AP, Eastern Power Distribution Company of AP had challenged the order of the tribunal in a batch of appeals by making various private developers as parties before the apex court.

India set to displace Europe as largest coal buyer from S. Africa

July 18, 2010. Power-hungry India is poised to displace Europe as the largest buyer of coal from South Africa as the country adds new thermal capacities to meet its growing energy demand. Indian imports of coal from the Richards Bay Coal Terminal (RCBT) in South Africa have surged in the past two years, on the back of rising demand for quality coal from power companies here. India buys about a fourth of its coal from South Africa, while the rest is imported from Indonesia. Platts, leading energy information provider, estimates that India's coal imports from RCBT have grown by 160 per cent from 6.8 million in 2008 to 17.7 million tonnes in 2009. At the same time, European imports from RCBT have declined 28 per cent to 28.1 million tonnes in 2009 from 38.9



million tonnes in 2008. Europe accounted for 63 per cent of RCBT's total exports in 2008 and its share has since declined to 46 per cent in 2009, while India's share has increased from 11 per cent in 2008 to 29 per cent in 2009. Further, India's share has increased in RCBT's exports in the current year. India accounted for 44 per cent of RCBT's exports in April-May this year, approximately at 2 to 3 tonnes a month. [TOP](#)

US Senators welcome Exim Bank's decision on Reliance project

July 17, 2010. Two Senators representing the Wisconsin State in the US have welcomed the Exim Bank's preliminary approval to Reliance's power project in Madhya Pradesh, saying that this will create hundreds of jobs in the United States. The US Exim Bank's approval for USD 600 million in loan guarantees for Reliance Power's 3,960 MW power project at Sasan in Madhya Pradesh, will support the sale and export of equipments by Wisconsin firm Bucyrus International, for the plant. The Export-Import Bank had voted to provide loan guarantees that, deal supporters say, will save jobs in Milwaukee and could allow Bucyrus to manufacture equipment for Reliance coal plant in India. This is the first in a series of three votes the Exim Bank will conduct before the Reliance-Bucyrus deal is finalized. Following the approval, there will be a vote, possibly in late August, on financial aspects of the deal, then a 35-day period when the deal will be sent to Congress for review, and then a final vote by the Exim Bank board in fall.

U'khand cancels 56 power projects

July 17, 2010. The Uttarakhand government cancelled the allotment of 56 hydel projects in the state, hours before the matter was to be heard by the High Court on alleged irregularities in the allotment process. Fresh bids would now be called for the projects, under the self-identified route. The government said letters of award issued for the projects to different companies now stand 'redundant'. The remaining bids have also been cancelled. Meanwhile, the High Court said Almora-based NGO, Jan Hakdari Morcha, which filed the petition against the government and alleged irregularities in the allotment process, is free to file another public interest litigation in the future, if left unsatisfied with the process. The opposition, led by Congress, had also been seeking a probe into the controversial allotment — the government had awarded projects to liquor firms and some unknown companies — by the Central Bureau of Investigation.

JSW Energy plans Rs 80 bn investment in power this fiscal

July 15, 2010. JSW Energy, a part of the diversified Jindal group, has earmarked an investment of Rs 80 bn in businesses across the power spectrum with plans to add over 2,000 MW of generation capacity in FY 11. The company, which went public last year, plans to commission its 1,200 MW plant at Maharashtra's Ratnagiri and 945 MW plant at Barmer in Rajasthan this fiscal. JSW Energy is also setting up plants in Chhatisgarh and West Bengal, totalling an installed capacity of 2,900 MW and expects to achieve financial closure for them by this calendar year.

Eco nod for Nagarjuna Construction's power plant revoked

July 15, 2010. The National Environmental Appellate Authority (NEAA) has revoked the ecological clearance given to a thermal plant of Nagarjuna Construction Company by the Union Ministry of Environment and Forests. Till such time the environmental clearance to the plant "stands suspended and the company, NCC, has been directed not to undertake any further activity at the site." NEAA also directed the Government to conduct a survey of all wet lands in Srikakulam districts and not to permit any other thermal plant. The directive is likely to have a bearing on other power plants proposed in the district as well those planned in other coastal districts. A member of the NEAA visited the site last month and a hearing was held.

India's Power Grid plans \$1.8 bn share sale this year

July 14, 2010. India's state-run Power Grid plans to launch a \$1.8 billion share sale in the December quarter. The government, which owns 86.4 percent of the central power transmission utility, plans to divest 10 percent of the company through the offer, while Power Grid will issue fresh shares accounting for 10 percent of the firm's equity capital. The state-run power transmission utility will launch its share sale sometime in October or early November. Power Grid has already invited bids for appointing up to four banks to manage the offer. [TOP](#)



The Indian government, which aims to bring down its fiscal deficit by selling its stake in several state-run firms, has plans to raise roughly \$8.6 billion from share sales in the fiscal year that ends in March 2011. New Delhi raised close to \$5.3 billion from share sales in fiscal year 2010.

International: Oil & Gas

Upstream

[TOP](#)

Eni fires up gas production offshore Egypt

July 19, 2010. Eni has started gas production from the Tuna field, within the Temsah Concession, which is located in the Mediterranean off the coast of Egypt. By the end of its ramp-up period in September, this project will produce 4.5 million scm/day of gas which will contribute about 8,500 boe/day to Eni's equity share production. Eni is the largest foreign energy player in Egypt. The company's oil and natural gas equity production averaged approximately 230,000 barrels of oil equivalent per day in 2009. Eni operates in Egypt through its wholly owned subsidiary the International Egyptian Oil Company (IEOC), which directly carries out exploration activities and participates in Joint Venture partnerships and Joint Venture companies.

Sasol, Statoil, Chesapeake Form JV to explore Karoo Shale

July 19, 2010. Sasol announced the successful award of a joint application with Statoil and Chesapeake for an onshore petroleum Technical Cooperation Permit (TCP) in South Africa. The TCP covers an area of approximately 88,000km², primarily located in the Free State and also covering areas in the Eastern Cape and KwaZulu-Natal. The permit awards the applicants the exclusive right to study the prospectivity for shale gas in the Karoo Basin for a period of up to 12 months, but does not include any surface activity or drilling. The joint venture partners plan to evaluate existing and available geological information within the area to determine the potential for shale gas. The study work will include the sampling and analysis of existing geological cores that were drilled by Soekor in the 1970's and 1980's during their search for shale oil. The same shale formations are now being assessed for potential gas production.

Sinopec's Shengli first-half crude oil production at 13.5 million tons

July 18, 2010. China Petroleum & Chemical Corp., the nation's second-largest oil producer, said crude output at its largest field reached 13.54 million metric tons in the first half, without giving year earlier figures. Daily production at Shengli field in Shandong province dropped to more than 1,400 tons below the planned volume at the beginning of this year because of cold weather. PetroChina Co.'s Daqing field, the nation's largest, is headed to meet its annual output of 40 million tons, parent China National Petroleum Corp. said. Daqing in Heilongjiang produced 1.6 billion cubic meters of gas and 20.06 million tons of crude oil in the first half.

BW offshore clinches \$875 mn gas FPSO contract in Indonesia

July 16, 2010. BW Offshore has signed a contract with Kangean Energy Indonesia for a gas FPSO to operate on the Terang Sirasun Batur fields in Indonesia. The partners of KEI are PT Energi Mega Persada (50.0%), Mitsubishi Corporation (25.0%) and Japan Petroleum Exploration (25.0%). BW Offshore has signed the contract with its two Indonesian partners; PT Pelayaran Trans Parau Sorat and PT Energi Consulting Indonesia. BW Offshore's scope includes the delivery of the FPSO, risers, umbilicals and mooring system, and BW Offshore will also be responsible for the installation and operation of the unit. The charter contract is for a fixed period of 10 years, plus additional options of up to 4 years. The total contract value is approximately US \$875 million. First gas is planned for early 2012.

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OGDCL hits gas pay in Pakistan

July 16, 2010. Oil and Gas Development (OGDCL) Operator of Kohat EL, together with its Joint Venture partners Tullow Pakistan, Mari Gas and Saif Energy, has discovered gas reserves from its exploratory well



Sheikhan # 01, located in District Kohat of Khyber Pukhtoonkhawa. The gas is of good quality with 96% methane and 1041 BTU / SCF heating value. The discovery will add to hydrocarbon reserves base of the Company and joint venture partners. [TOP](#)

OPEC forecasts oil demand to increase 1.2 pc next year, led by China, India

July 15, 2010. The Organization of Petroleum Exporting Countries forecast that global oil demand will grow in 2011 at about the same rate as this year, led by developing economies such as China and India. Worldwide crude oil consumption will increase by 1.05 million barrels a day, or 1.2 percent, next year to average 86.41 million barrels a day, the organization's Vienna-based secretariat said today in its first assessment for 2011. This year OPEC predicts demand will grow 950,000 barrels a day, or 1.1 percent driven by countries outside the Organization for Economic Cooperation and Development. Crude demand is recovering around the world from a two-year slump, the steepest since the 1980s, triggered by the financial crisis and ensuing recession. OPEC, responsible for 40 percent of global oil output, is anticipating less demand growth next year than the adviser to consuming OECD nations, the International Energy Agency. IEA forecast that oil usage will advance 1.3 million barrels, or 1.6 percent, to 87.8 million a day in 2011. OPEC predicted that producers outside the group will expand their supplies in 2011 by less than this year's shipments. Non- OPEC suppliers will increase output by 300,000 barrels a day to 52.2 million a day, the organization said. That's down from forecast growth for this year of 700,000 barrels a day. As a result, the world's need for crude from OPEC will increase. OPEC expects it will need to pump an average of 28.8 million barrels a day in 2011 to balance supply and demand, or 200,000 a day more than this year.

Colombian armed forces to help scout for new oil reserves, General says

July 14, 2010. Colombia plans to use its armed forces to help scout for new reserves of crude as it seeks to push output to a record, the commander of the armed forces said. South America's third-largest oil producer after Venezuela and Brazil is training a military unit to help perform seismic testing to locate potential reserves. Until now, the armed forces only deployed soldiers to protect companies exploring for crude and at production sites. The strategy will speed Colombia's search for oil as improved security spurs investment even in remote swaths of jungle. Since 2002, President Alvaro Uribe has increased military strikes to drive guerrilla forces from areas once considered too risky for oil and metals exploration. President-elect Juan Manuel Santos, who takes office Aug. 7, has pledged to maintain those security policies.

Downstream

CNPC to begin refinery construction in Syria in 2011

July 19, 2010. China National Petroleum Corporation announced that it will begin construction of a long-delayed US\$2 billion refinery in Abu Khashab, Syria, during the second quarter of 2011. The refinery will be located near the oil hub Dayr az Zawr, Syria, some 450 kilometers northeast of Damascus. When complete and operational in 2014, the refinery is expected to handle between 70,000 and 100,000 barrels of crude oil per day. The crude feedstock will be supplied by nearby fields. When the project was originally announced in 2008, it was expected to be completed in 2011. However, it was delayed because of the global economic crisis. CNPC will assume 85 percent of the total cost of the project, while the Syrian government will take responsibility for the remaining 15 percent. The governments of Syria and China have made it clear that they hope to strengthen their international ties by developing upstream oil exploration and oil refining. CNPC, China's largest oil and gas producer, is the state-owned parent company of PetroChina Company Limited. [TOP](#)

NNPC, Chinese investor to build refinery in Nigeria

July 19, 2010. To strengthen domestic refining capacity and enhance sustainable fuel supply in the country, the Nigerian National Petroleum Corporation (NNPC) and China State Engineering Construction Corporation (CSECC), are in talks to construct a greenfield refinery in Kogi State. The proposed Greenfield Refinery would be integrated with an industrial hydrocarbon park designed to convert natural gas and refined petroleum products into hydrocarbon derivatives. Among the numerous benefits of the greenfield refinery is not only in the state's economic expansion through rapid industrialisation, but also the creation of thousands of new jobs.



When completed the Kogi State Refinery is expected to produce about 300,000 metric tonnes of Liquefied Petroleum Gas (LPG) or cooking gas per annum. It is anticipated that the availability of such a volume of LPG will trigger a massive increase in the consumption of cooking gas as the preferred domestic household fuel, replacing firewood, charcoal and kerosene.

HSBC seeks partner for Libya Refinery by end 2010

July 19, 2010. HSBC Holdings PLC plans to bring on board by year-end an international oil company as strategic partner for a new refinery project by Libya's Zwara Oil Refining Co., or Zorco. Zorco appointed HSBC as financial adviser on the 200,000-barrel a day refinery in December 2008. HSBC expects to take the estimated \$5 billion project to the international financing market in the second half of 2011.

Thai Esso OKs \$394 mn investment plan to meet Euro-4 standard

July 16, 2010. Esso, a Thai unit of Exxon Mobil, said its board has approved an investment plan worth around \$394 million to upgrade its refinery facilities to produce Euro-4 emission standard fuel products. The Sriracha Clean Fuels project is expected to be completed in the next 15 months and its commercial start-up is scheduled by January 1, 2012--the implementation date required by the Thai government, it said in a statement to the Stock Exchange of Thailand. The funding will come from the company's cashflow, bill of exchange issuance and credit facilities from Thai and foreign banks and ExxonMobile affiliates.

Pertamina, Kuwait Petroleum to invest \$9 bn in West Java Refinery

July 16, 2010. PT Pertamina and Kuwait Petroleum will invest as much as US \$9 billion in an oil refinery in Balongan, West Java. The joint venture refinery will have a processing capacity of 300,000 barrels of crude oil per day. However, no time frame was offered for the project. Previous similar plans to build refineries have fallen through. The crude oil will be supplied from Kuwait Petroleum at a discount price. Pertamina plans to build refineries in West and East Java in joint ventures with foreign investors, and seeks to boost capacity at existing facilities in Balikpapan, Dumai and Balongan. Pertamina is also building refineries in Banten and Tuban, East Java, in cooperation with Iran's Saudi Aramco.

Toymaking delay in China narrows naphtha's premium to oil

July 15, 2010. Asian prices for naphtha fell to a 10-month low relative to crude oil as Chinese toy manufacturers hold back orders for raw materials used to make plastic and wait for consumer spending in Europe to rebound. Demand for naphtha, which is used to make chemicals and plastics in keyboards and Barbie dolls, typically rises at the start of August as Asian toymakers boost production for the year-end holidays. This year, manufacturers are holding off as tax increases and unemployment sap orders from Europe, the destination for about 20 percent of China's exports. The difference, or crack spread, for naphtha relative to crude has widened in August in three of the past four years. The exception was in 2008, at the height of the global financial crisis. The decline in demand for plastics may still be limited as purchases pick up toward the end of the year. Traders may send shipments of naphtha to Asia from Europe should the crack spread widen.

Oil imports dropping from record as China curbs refining

July 14, 2010. Chinese oil imports may decline from this month's record high as waning energy demand reduces refining profits. Monthly imports may decline at least 19 percent to 18 million metric tons in the second half, from a record 22.3 million tons in June. Shipments of oil to China, the world's second-biggest energy consumer after the U.S., are poised to slow as Premier Wen Jiabao damps growth to curb inflation. The Beijing-based company supplies about 60 percent of China's fuels. China's net imports of crude climbed to a record last month after refiners and state-owned companies took advantage of declining costs to increase stockpiles. Refining volumes rose to an all-time high of 35.8 million tons in May as imports fell to 17.84 million, a four-month low, according to customs data. China, which controls fuel costs to curb inflation, cut gasoline and diesel prices by 3 percent on June 1. The government typically reduces oil-product prices when crude drops by more than 4 percent over a 22 working-day period.



Alderley to provide metering system at Algerian LNG plant

July 14, 2010. Alderley Systems has secured a contract worth more than six million pounds to provide a metering system at the new build LNG plant at Arzew in Algeria. Awarded by Italian company Saipem, the firm will design, manufacture and fabricate six metering skids at its UK systems workshop before shipping the equipment over to North Africa to be installed on site. Construction of a new 4.7-million-tonne-a-year liquefaction train and associated infrastructure started on a brownfield site in the industrial zone of Arzew adjacent to the existing refinery in 2008. The plant at Arzew receives gas from the Gassi Touil fields in the Algerian desert. Alderley's delivery is scheduled for mid 2011 and the team will be on site to commission the project at the beginning of 2012. [TOP](#)

Transportation/Trade

ASEAN to discuss transnational gas pipeline

July 20, 2010. South-East Asian officials discussed plans to build a transitional gas pipeline and regional electricity grids, but said consensus would be difficult among the 10-nation bloc. Proposals for regional power grids have been on the agenda of the Association of South-East Asian Nations (ASEAN) for more than a decade, but non-uniform grid systems have obstructed the plan. Vietnam, Laos and Cambodia favored the idea, but that Thailand was neutral while Indonesia, Malaysia, and Singapore were uncommitted. The latter four countries could supply enough electricity for themselves while Vietnam, Myanmar, Laos and Cambodia were facing shortages. ASEAN countries could not agree how much money each country would pay into project and specify the starting points of pipeline and grid for defining the costs for each country to get the pipeline into its territory. Furthermore, some ASEAN members feared a joint grid and pipeline could create dependency situations like those observed from Russia and Ukraine. Vietnam has established electricity grids with bordering provinces of Laos, Cambodia and China to buy and sell electricity.

US ethanol pipeline could turn profit with subsidies

July 20, 2010. A US Federal study gave a highly qualified thumbs-up to the feasibility of building an ethanol pipeline from the corn-rich Midwest to the East Coast, but such a massive project would still need government subsidies. The report, delivered to Congress by the U.S. Department of Energy, examined whether it makes sense to consider a \$4.2 billion ethanol-only pipeline that would move fuel now shipped by rail, truck and barge. No such pipeline is being built, only discussed. Ethanol use has grown sharply in recent years, the report notes, but it hasn't reached levels that make a pipeline competitive. In the future, however, rising ethanol use on the East Coast could make "a profitable, dedicated ethanol pipeline feasible under certain scenarios," the report said.

Qatargas delivers first Q-Max cargo to Japan

July 19, 2010. Qatargas has delivered its first Q-Max cargo of liquefied natural gas (LNG) to Japan. The cargo was delivered to Chubu Electric's Chita Terminal by the Q-Max LNG carrier "Mozah." Qatargas' state-of-the-art Q-Max LNG carriers are capable of delivering 266,000 cubic meters of LNG during a single voyage. They are the biggest LNG carriers in the world. The company's fleet of Q-Flex and Q-Max carriers represents a step-change in LNG shipping technology. Not only are they 50 to 80 percent larger than conventional LNG carriers, they also contain an on-board reliquefaction system. In addition to this, key environmental objectives have been taken into consideration in the build. With approximately 40 percent lower carbon emissions than conventional carriers, they offer a safe, efficient and reliable means of delivering LNG around the world. Qatar is well on its way to reaching its goal of having 77 million tonnes of LNG production capacity by the end of this year and in doing so reinforcing its position as the leading LNG supplier in the world. [TOP](#)

BTC Pipeline moves millions of barrels of Turkish Oil

July 14, 2010. Nearly 950 million barrels of crude oil have been transported from Turkey's southern Adana province via the Baku-Tbilisi-Ceyhan (BTC) Pipeline since the loading of the first tanker within the scope of the project in June 2006. 946,456,694 barrels of crude oil had been transported with 1,205 tankers from the Haydar



Aliyev Sea Terminal in Adana's Ceyhan town in the last 49 months. Ceyhan had received nearly 700,000-800,000 barrels of oil per day from the pipeline up until now Palaz said such figure would rise up to a million barrels. The BTC pipeline is a crude oil pipeline that covers a total of 1,776 kilometres, 1,076 kilo-meters of which is located in Turkish territory. The pipeline, which amounts to a \$3.4 billion investment, carries Caspian oil to the world markets from Azerbaijan through Georgia and Turkey. The pipeline, described as the "energy project of the century," has the capacity to transport a million barrels of crude oil per day and 50 million tons of oil per year to world markets.

8 LPG Carrier contracts for new shipyard in Brazil

July 14, 2010. Estaleiro Promar signed 8 contracts to build LPG Carriers for Transpetro, the shipping arm of Petrobras. The contracts amounts MUS\$ 536, comprising the construction of two different types of LPG Carriers: fully pressurized with cargo capacity of 7.000 m³ (4 units) and 4.000 m³ (2 units) and semi-refrigerated with cargo capacity of 12.000 m³ (2 units). These vessels are part of the PROMEF 2, the second phase of the ambitious Transpetro's Fleet Modernization and Expansion Program and are scheduled to be delivered within Q3 2013 to Q4 2015. [TOP](#)

Gazprom strengthens Sinergie Italiane's gas supply by 500 mn cubic meters

July 14, 2010. Sinergie Italiane announced additional gas supply from Gazpromexport of further 500 millions cubic meters a year. The new volume increases the quantity contracted in August 2009 on 'take or pay' basis of about 1 billion cubic meters yearly for 3 years, effective from October 2009 and 0,5 for 7 years. The total annual supply by Gazpromexport therefore grows to 1.5 billion cubic meters per year for further 11 years, starting from October 2010. The new supply from Gazprom follows a number of operations concluded by Sinergie Italiane in the international market since its establishment, that confirms the Company as a reliable operator and Partner within the energy community. The additional supply stabilizes the base supply portfolio, leaving wide capacity to exploit further opportunities within the spot market at European level which still shows good liquidity.

Policy / Performance

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Statoil awards Aibel contract for Gudrun platform

July 20, 2010. Statoil has awarded Aibel a contract to build the topsides for the Gudrun platform. Aibel won the contract amid strong international competition. It embraces engineering, procurement, and construction of the platform deck and processing facility and mating with the steel jacket. The contract is worth about NOK 2.7 billion. One of Statoil's largest developments on the Norwegian continental shelf, the Gudrun field holds about 127 million barrels of oil equivalent. Two-thirds of this is oil. The reservoir has high pressure and temperature and will require the technology developed by Statoil and applied in the Kvitbjørn and Kristin developments. Oil and gas will be transported from the Gudrun field to the Sleipner A platform. The gas will be sent on to the gas markets from Sleipner A. Gudrun's platform and transport solution creates a good basis for developing more oil and gas fields in the area.

Nigeria's Zangara State plans to build refinery

July 20, 2010. A 200,000 barrels per day capacity refinery is to be built in Nigeria's northern Zangara state. Nigeria has four refineries but they all work below their installed capacities and the country, an oil exporter and member of OPEC, relies heavily on imports to provide gasoline products to its 150 million people daily.

Kazakh leader criticizes EU dithering on Nabucco

July 19, 2010. Kazakhstan President Nursultan Nazarbayev criticized the European Union for its hesitancy about the construction of the Nabucco gas pipeline. "The EU could move much quicker with us on the project," the authoritarian ruler said. Nazarbayev said the EU talked a lot about the 3,300-kilometer pipeline from Central Asia to Europe but has done little to encourage its construction. The Nabucco pipeline project aims to reduce Western dependency on Russian gas by bringing it to Europe from the Caspian Sea platforms. Construction of the pipeline, which is strongly opposed by Russia, is set to begin next year. Nazarbayev said his country "was never against the project" but needed a liquefied petroleum gas plant on its Caspian shoreline in order to participate.



BP prevails in whiting tax case

July 19, 2010. The Indiana Tax Court has ruled BP does not owe additional property taxes on an air pollution control system at its Whiting refinery. The Lake County assessor sought to invalidate BP's claim the pollution control system was exempt from personal property taxes under Indiana law. The assessor claimed BP used "unintelligible" acronyms and "cryptic codes" to describe the equipment on its returns, making it impossible for the assessor to determine whether the equipment qualified for a tax exemption. [TOP](#)

MOG terminates Astrakhanskiy License in Western Kazakhstan

July 19, 2010. Max Petroleum has received a letter from the Ministry of Oil and Gas of the Republic of Kazakhstan ("MOG") notifying the Company of the termination of its subsoil use license for the Astrakhanskiy Block in Western Kazakhstan (the "Astrakhanskiy License") due to the Company's failure to comply with the work obligations stipulated under the License. The letter does not affect the Company's principal asset, the Blocks A&E license area. The Company believes the MOG's position reflects a broader policy change regarding the treatment of subsoil use licenses behind in their work obligations.

Israel natgas plan faces delay over study, budget

July 18, 2010. Israel's plan to begin production from its new offshore natural gas field by 2012 hit a snag after cabinet ministers did not provide funds for a survey into the location of a terminal. A two-year budget passed by Israel's cabinet had sweeping cuts and did not allocate 25 million shekels (\$6.5 million) the Infrastructure Ministry requested for a crucial study to determine the spot of a receiving terminal. The ministry was moving ahead with plans to issue a tender for conducting the study, but the failure to allocate funds casts further doubt on whether the consortium that owns Tamar will reach the target production date of 2012.

China oil spill pollutes 50 square kilometers of sea

July 18, 2010. An oil spill caused by an explosion in the northeastern Chinese port city of Dalian has "seriously" polluted 11 square kilometers of sea and "slightly" affected 50 square kilometers of water. An oil pipeline exploded late on July 16 near Dalian's Xingang Harbor, causing a smaller pipeline nearby to also explode. The fire was mostly extinguished by July 17, 15 hours after the initial explosion. An investigation team has been established to examine the explosion.

Kazakhstan plans to levy new crude-oil export tax on Chevron-led venture

July 14, 2010. Kazakhstan plans for the first time to tax exports of crude oil from a venture led by Chevron Corp., in the government's latest effort to seek a bigger share of revenue from the country's energy wealth. Kazakhstan's cabinet approved a crude-oil export tax of \$20 a metric ton. The tax, which applies to most oil producers in the central Asian nation, will take effect 30 days after it is published in official media. Chevron, based in San Ramon, California, owns 50 percent of TengizChevroil, which operates the biggest field in Kazakhstan. The new duty marks another step in the government's campaign to boost its share of revenue from the country's most valuable export. The government is also seeking a stake in the Karachaganak field, by pursuing producers there for what it says are unpaid taxes. [TOP](#)

Abu Dhabi may make BP investment, Crown Prince says

July 14, 2010. BP Plc Chief Executive Officer Tony Hayward said he had a "very good" meeting with Abu Dhabi's crown prince as analysts said the oil producer may be looking for support from Middle East investors. Abu Dhabi's crown prince, a member of the board of one of the world's largest sovereign wealth funds, said the emirate is considering an investment in BP Plc after the company lost half its value following the worst oil spill in U.S. history. Hayward pledged last month to set aside \$20 billion for spill victims and cleanup, to be paid for by scrapping the dividend, reducing investment and asset sales. The crown prince is chairman of Mubadala



Development Co., an investment arm of the Abu Dhabi government. Abu Dhabi's sovereign funds hold a combined \$500 billion. BP produces oil in the sheikhdom, where it is a partner with state-run Abu Dhabi National Oil Co., known as Adnoc, in a venture that dates back to the first oil concession granted in the 1930s in what is now the U.A.E. [TOP](#)

International: Power

Generation

Russia eyes SE Asia nuclear power plant development

July 20, 2010. Russia aims to help Southeast Asian countries build nuclear power plants and develop its safe use in the fast-growing region. Russia's State Atomic Energy Corporation, or ROSATOM, would cooperate with the ASEAN Centre for Energy to organise a seminar in Hanoi in September to introduce officials from the Association of Southeast Asian Nations on the safe use of nuclear power, a draft to the Russia-ASEAN official meeting said. Several countries in the 10-member ASEAN such as Vietnam, Thailand and Indonesia have plans or have decided to move forward to build nuclear power plants to offset electricity shortages. The International Energy Agency (IEA) had said that ASEAN would see an average annual increase of 2.5 percent in its primary energy demand until 2030. Vietnam plans to start building its first nuclear power plant in 2014 using Russian technology. ROSATOM is among several foreign firms, which included Westinghouse Electric, a unit of Japan's Toshiba, France's EDF and China Guangdong Nuclear Power Group, to have been courting Vietnam to help build nuclear power plants.

China to build new nuclear power plant

July 19, 2010. China has approved plans to build a nuclear power plant in the southwestern region of Guangxi as Beijing makes good on a pledge to boost renewable energy sources. The first phase of the project in Fangchengchang city will involve investing 24 billion yuan (3.5 billion dollars) in two Chinese-made 1.08 gigawatt reactors. Beijing has stepped up investment in nuclear power in an effort to slash carbon emissions and reduce the nation's heavy reliance on coal, which accounts for 70 percent of its power needs but is highly polluting. The world's third largest economy aims to get 10 percent of its power from renewable sources by 2010 and 15 percent by 2020. The CPR 1000 reactors have been designed by China Guangdong Nuclear Power Company based on foreign technology. 80 percent of the materials used to make the reactors were produced in China.

Transmission / Distribution / Trade

GE, ABB lead \$106 mn investment in 'smart-meter' developer Trilliant

July 15, 2010. General Electric Co. and ABB Ltd. led a group investing \$106 million in closely held Trilliant Inc., which is benefiting from U.S. stimulus funding of so-called smart meters for electric utilities. Trilliant plans to use the money to increase development of the meters, which allow utilities and consumers to more efficiently manage power use, the Redwood City, California-based company said. Trilliant also won a contract to build a \$200 million smart-meter system for the 610,000 customers of Augusta, Maine-based Central Maine Power Co. Trilliant and competitors such as Itron Inc., the largest U.S. maker of utility meters, are beginning to benefit from the \$4.5 billion in stimulus funds the Obama administration directed toward smart grids to improve efficiency and accommodate electric vehicles and rooftop solar panels.

Policy / Performance

Philippines "seriously" considering nuclear power plant

July 20, 2010. The Philippine government is "seriously" considering the construction of a nuclear power plant in the country to address the looming power crisis. President Aquino said earlier that he had ordered the energy chief to study the possible construction of a nuclear power plant in the Philippines. But reviving the mothballed Bataan Nuclear Power Plant, which was erected during the time of then-President Ferdinand Marcos, could not be considered because it would be very costly, Aquino said. [TOP](#)



Plan to double power generation by 2020, says Pakistan PM

July 18, 2010. Prime Minister Syed Yousaf Raza Gilani said that the government has prepared a comprehensive plan to double the power generation capacity of the country during the next decade. The PM said the government would initiate new projects that would produce a minimum of 20,000MW of electricity by 2020. He said under the new plan, 6,000MW of electricity would be obtained from hydro power, 6,000MW from coal, 5,000MW from gas, 1,000MW from indigenous fuels and the remaining 2,000MW would be obtained from alternative energy sources. The PM said that the government had so far added 1,708MW of electricity to the system through a number of new hydel and thermal power projects. He said new projects with a capacity of 2,795MW of electricity would be completed by the end of this year. [TOP](#)

GDF working on \$9.8 bn bid for Int'l Power-paper

July 18, 2010. French energy group GDF Suez is working on a 6.4 billion pound (\$9.8 billion) cash bid for Britain's International Power, in the latest twist in a long-running courtship. GDF had met advisers NM Rothschild, Goldman Sachs and BNP Paribas over the move, adding it had the backing of the French government, its 35 percent shareholder. Talks between the two groups over the 420 pence a share proposal were at an initial stage after discussions that lasted several months broke down in January.

UK must invest in nuclear to meet carbon target: KPMG

July 18, 2010. Britain must reform electricity markets if it is to secure the private investment needed to meet its carbon emissions targets, according to a study by KPMG. The report said the British government's approach to investment in low-carbon generation was inconsistent and clearer planning was needed to show how emissions targets will be met. Nuclear energy has to play a central role in an affordable, secure low-carbon generation mix if the UK is to meet the government's ambitious emissions targets. Britain has committed to a 34 percent reduction in greenhouse gas emissions from 1990 levels by 2020.

E.On keeps options open on Italy nuclear tech-report

July 18, 2010. Germany's E.On has still not decided what technology it would use for possible nuclear power plants in Italy, the head of its Italian unit. Rival group Enel have already picked French EPR reactors and Schaefer did not exclude his company also using that. Italy plans to revive nuclear energy, which was rejected by a public vote in 1987 after the Chernobyl disaster in Ukraine. But clashing political interests have delayed setting up a safety agency -- an important step in the plans. The nuclear safety agency, yet to be set up, is expected to define precise criteria for selecting sites and oversee construction and operation.

German nuclear tax to raise 2.3 bn eur-draft law

July 15, 2010. Germany's tax on nuclear power station operators will likely raise yearly revenue of 2.3 billion euros until 2014, a finance ministry draft law showed. Nuclear power station operators will face a tax of 220 euros per gramme of nuclear fuel, which can be offset against taxes, the draft showed.

UK coal, oil phase-out gap prompts new investments

July 14, 2010. Thirty percent of Britain's coal-fired power plants will shut down at the end of 2015 under the EU's large combustion plant directive (LCPD) and energy companies are investing in replacing the capacity losses with more efficient alternative plants. The LCPD, which was introduced in 2001, stipulates that power plants in Europe must meet limits on emissions of oxides of nitrogen and of sulphur dioxide by the start of 2016. This forced utilities either to install costly mechanisms to reduce emissions or to make the decision to shut down their plants after 20,000 hours of operation between Jan. 1, 2008 and Dec. 31, 2015. In Britain around 8.7 gigawatts (GW) of coal-fired power plant capacity and 3.7 GW of oil-fired capacity will stop operating at the end of 2015 at the latest, while 20.7 GW have been equipped with flue-gas desulphurisation mechanisms, allowing plants to meet the European requirements. [TOP](#)



Delhi govt buildings to go 'green'

July 20, 2010. In tune with its climate change initiative, Delhi Government has begun the process of converting 15 existing government buildings into 'green buildings' by making them energy efficient. State Environment Secretary Dharmendra said government will soon issue request for proposal (RPF) for the project, aimed at cutting down energy consumption in these buildings. The Delhi secretariat, which houses offices of chief minister and other ministers, will also be converted into a green building under the project. The project is part of our climate change initiative. As part of its energy conservation measures, Delhi Government has already decided to implement the Energy Conservation Building Code (ECBC) for government buildings in the national capital. The ECBC provides guidelines and norms for the energy efficient design and construction of buildings. It also provides guidelines for reducing energy requirement, environmentally benign design and construction techniques. One of the targets defined under Enhanced Energy Efficiency Mission is to retrofit 100 existing buildings with area above 10,000 sqft to make them energy efficient. The environment department has already made solar water heater system mandatory in industries, hotels, hospitals, nursing homes, hotels, canteens and residential buildings having an area of 500 sq meter.

NHDC's 100 MW wind power plant in MP

July 20, 2010. Narmada Hydroelectric Development Corporation (NHDC), a joint venture (JV) between the Madhya Pradesh government and the National Hydro Power Corporation (NHPC), wishes to set up a 100-Mw wind power plant in Kukru village of Betul district (250 km from here). It will probably be one of the largest such plants in the country. The company, formed to tap the potential in hydroelectric power generation on the Narmada river, has already diversified into thermal power and bagged two super-critical thermal power projects in the state of 1,360 Mw each. Although capacity utilisation in wind power, if government and wind energy investors and various other sources are believed, comes to hardly 18-22 per cent in Madhya Pradesh, NHDC is optimistic on the project. NHDC is confident of optimum utilisation of the plant. At present the wind power rate starts from Rs 4.03 per unit in first year to Rs 3.36 per unit in the 20th year. Wind power makers have demanded a slash in power rates.

Renewable energy supply to meet 2015 target: CERC

July 20, 2010. "The renewable energy supply will not be a constraint in meeting the 10% by 2015 target set by the National Action Plan on Climate Change," Dr Pramod Deo, Chairman, Central Electricity Regulatory Commission (CERC) said. He added that CERC has conducted a study to assess the supply scenario based on stakeholder consultation and the study revealed that the supply from renewable energy resources could exceed 47720 MW by 2015, as against the trend scenario of 54,800 MW. Solar power alone is expected to supply 4000 MW by 2015. He said that the government is supporting the solar industry by offering a generation-based incentive to help the industry meet the National Solar Mission target of 20 GW by 2022. Giving an overview of the renewable industry, Dr Deo said that India has the total installed capacity of 1,61,352 MW as on May, 2010, wherein the total installed capacity of renewable energy is about 10% (17,222 MW). However, currently renewable energy contributes just 4% of total power generation.

HP to frame policy to harness solar power

July 17 2010. In order to harness the estimated solar power potential of 20,000 megawatt, the state government is likely to work out a policy to determine the mode of establishing power projects through alternative energy. Experts believe Spiti valley in Himachal Pradesh is best suited for solar power projects due to its high altitude and extreme cold conditions. 1 MW and 2 MW solar projects being taken up by Himurja, the state PSU, would act as pilots to show way for formulating policy in the future. [TOP](#)

India takes a big leap in renewable energy

July 16, 2010. The United Nations listed India as the fifth biggest wind and solar water heating energy producer in a report. The report, Global Trends in Green Energy 2009, says the developing world is taking a lead in adopting new renewable technologies. For the first time, private sector green energy investments in Asia and



Oceania, some \$40.8 billion in 2009, exceeded that in the Americas, at \$32.3 billion, the report said. The report also says the developing nations have more than half of global renewable power capacity and make up nearly half of all countries with policy targets (38 out of 80 countries). It acknowledges the Indian government's efforts in giving incentives to renewable energy through its missions under the National Action Plan on Climate Change. Like India, global investment in energy efficiency technologies witnessed a 34 per cent increase to \$ 4 billion. The report also said that for the second year in a row, both the US and Europe generated more power capacity from renewable sources such as wind than from conventional sources like coal and gas. [TOP](#)

Suzlon Energy gets 19.2 MW order

July 16, 2010. Indian wind turbine maker Suzlon Energy said it had got a 19.2 megawatt order from a local ayurvedic research foundation. The project will be set up in two phases and will be completed by March 2011, it said in a statement.

Stone India to enter solar power biz

July 15, 2010. Stone India Ltd, a G.P.Goenka-controlled company, plans to enter the solar power business. It has submitted its initial proposal of 1 MW plant in West Bengal for pre-registration under the Jawaharlal Nehru National Solar Mission scheme. To generate 1 MW of solar power, a farm requires roughly a total space of five acres. In a stock exchange filing, Stone India said that in the medium-term, in addition to setting up of solar farm or energy collection projects, Stone Solar would venture into the manufacture of photovoltaic modules, grid-connected converters, as well as consulting and execution of turnkey projects. The Union Government is expected to award 100 MW of solar power projects by August in Phase-I under the Mission. Power Finance Corporation and Indian Renewable Energy Development Agency are to provide soft loans for the projects.

Khandke wind farm becomes Tata Power's first CDM project

July 14, 2010. Tata Power said that one of its power projects, the Khandke wind farm in Maharashtra's Ahmednagar district, has officially become the company's first Clean Development Mechanism (CDM) project. Tata Power's 50.4-MW Khandke wind farm, which was commissioned in December 2007, has been approved as a Clean Development Mechanism (CDM) project by the United Nations Framework Convention on Climate Change (UNFCCC). CDM, an instrument established under the Kyoto Protocol, achieves sustainable development and contributes to the cost-effective mitigation of climate change. The CDM will allow countries committed to the environmental cause to meet part of their reduction abroad, where Green House Gas (GHG) abatement costs can be lower. The CDM will also enable developing countries to attract investments in clean energy technology and assist them in taking the path to sustainable development, it said. This is Tata Power's first CDM-registered project. The Khandke project is expected to earn ~85,000 Certified Emission Reductions (CERs) annually from UNFCCC, it said. Tata Power, which has 200 MW of operating wind power generation capacity at present, proposes to add 150-200 MW of wind power capacity every year.

TEDA shortlists power projects for solar mission

July 14, 2010. The Tamil Nadu Energy Development Agency has shortlisted the list of solar power projects for pre-registration under the Jawaharlal Nehru National Solar Mission. These projects with an installed capacity of 100 kW to 2 MW include 21 projects of 1 MW each and eight projects of 0.1 MW. They have been shortlisted from a total of 129 applicants. They will now compete on all India-basis with other projects selected by the various State Governments to be considered for financial assistance and subsidy under the JNNSM of the Minister of New and Renewable Energy. According to officials, the project promoters can now enter into a power purchase agreement with the Tamil Nadu Electricity Board to be eligible to register with the Indian Renewable Energy Development Agency (IREDA) of the Ministry to be considered under the JNNSM. The Tamil Nadu Electricity Regulatory Commission in its order of July 8 has passed a specific tariff order for the projects proposed under the solar mission. [TOP](#)

The cost plus single part levelled tariff for 25 years is set at Rs 15.51 per kWh and the benefit of Accelerated Depreciation (if availed) is Rs 3.35 a kWh. This makes the net applicable tariff after adjusting for accelerated depreciation to Rs 12.16 a kWh against Rs 12.85 suggested by the Central Electricity Regulatory Commission. Under the JNNSM the Ministry plans to initially develop 100 MW of solar generation capacity. This would



include 90 MW connected at HT level of distribution network with installed capacity of 100 kW to 2 MW and 10 MW connected at LT level with capacity of less than 100 kW. The TNERC order covers the projects proposed under the 90 MW under the JNNSM. The 21 projects of 1 MW and their locations are: Kavin Engineering and Services Pvt Ltd, Coimbatore; Navasakthi Township Developer, Cuddalore; B&G Solar, Nagapattinam; Amson Power, Tuticorin; Sri Jaya Balaaji Solar Energy India, Tiruppur; Great Shine Holdings, Madurai; RL Clean Power, Sivaganga; Mythili Chemicals, Virudhunagar; Unisun Energy, Erode; Gemini Geoss Energy, Virudhunagar; Udhaya Energy Photovoltaics, Tiruppur; Devi Cropscience, Dindigul; Solargen Power Gujarat, Ramanathapuram; A&D Cosmic Power, Tirunelveli and Tiruchi; Thirumala Enterprises, Perambalur; Noel Media & Advertising, Sivagangai; Hotel Peninsula, Sivagangai; Promco India, Tirunelveli; and Inden Technologies, Tirunelveli. The projects of less than 1 MW and their locations are: Salem Solars Energy, Dharmapuri; Bharath Energy, Theni; Mr M. Sheik Mansoor, Madurai; Hi-Tech & Co, Sivagangai; Sathya Solar Park, Thiruvannamalai; Meenakshi College for Women, Chennai; Jeya BPO Services, Sivagangai; and GR & Co, Dindigul.

Global

Google to use wind energy to power data centers

[TOP](#)

July 20, 2010. Google Inc's energy unit has entered into a deal to buy wind power from NextEra Energy Inc for the next 20 years to power data centers. The deal comes less than three months after the giant Silicon Valley Internet search company invested \$38.8 million in two wind farms in North Dakota, developed by NextEra Energy Resources that generate enough energy to power more than 55,000 homes. Google Energy LLC will begin buying wind power from July 30 from NextEra's facility in Iowa at a predetermined rate.

Canadian researchers to develop renewable energy engine

July 20, 2010. Cleanfield Alternative Energy Inc. has entered into a research collaboration agreement with the University of Ontario Institute Of Technology (UOIT) and the Ontario Centres of Excellence (OCE) to develop a novel renewable energy-based power generation system running a new trilateral cycle, which will be commercialization by Cleanfield. The research project will involve: developing conceptual designs, analyzing thermodynamic performance aspects and costs, building and testing a prototype system, optimizing and improving for real-scale applications for power production purposes, and commercialization by Cleanfield. The research team focuses on a compact, multi-purpose sustainable power generating system, consisting of a renewable energy based heat source and an advanced trilateral cycle using a combination of NH₃-H₂O working fluids. The system will be much more efficient (up to 30%) than the conventional organic Rankine cycles which have overall efficiencies of 8%-10%, respectively. The efficiency of the novel engine will be further increased up to 90% through some multi-generation options and including some new designs of the system components. This system will be quite applicable for residential, commercial, institutional and industrial applications.

China surpassed US as the world's top energy consumer: IEA

July 20, 2010. China has overtaken the United States as the world's largest energy consumer, the International Energy Agency said. China immediately questioned the report, claiming its calculations were "unreliable". The Paris-based agency said China's 2009 consumption of energy sources ranging from oil and coal to wind and solar power was equal to 2.265 billion tons of oil, compared to 2.169 billion tons used that year by the United States. The shift is historic, coming years ahead of forecasts. In climate change talks, China has long pointed fingers at the energy consumption patterns of developed nations and is sure to feel uncomfortable with the mantle of consuming more energy than any other nation. China is also sensitive to complaints about its status as the world's biggest polluter and suggestions that its demand is pushing up energy prices on global markets.

Syntroleum preps for start-up at La. Renewable Fuels Plant

July 19, 2010. Syntroleum Corp. announced the new Dynamic Fuels plant that will produce high quality renewable fuels from animal fats and greases is mechanically complete, and work is now underway to prepare for the start of operations. The prime contractor on the project in Geismar, Louisiana, achieved mechanical completion on July 9th and turned the entire plant over to Dynamic Fuels LLC, a joint venture of Syntroleum Corp. and Tyson Foods. The first shipments of animal fats have been delivered to the facility. [TOP](#)



The commissioning activities in progress include flushing of all lines, verifying operation of the control system and installation of catalysts and absorbents. Dynamic Fuels currently expects to begin fuel production and ramp up of production rates, during the third quarter of 2010. The new facility is designed to convert fats, greases and oils supplied by Tyson Foods into as much as 75 million gallons of renewable fuels per year. Dynamic Fuels has filled the 44 permanent full-time positions on site and currently maintains 13 full-time start-up support personnel. [TOP](#)

Solazyme delivers 100 pc renewable jet fuel to the US Navy

July 19, 2010. Solazyme, Inc. is helping the U.S. military move closer to powering its planes, ships, tanks and trucks on renewable fuel and has delivered of 1,500 gallons of 100% algae-based jet fuel for the U.S. Navy's testing and certification program. The U.S. Navy has previously announced the objective to operate at least 50% of its fleet on clean, renewable fuel by 2020, and the delivery fulfills a contract awarded to Solazyme by the U.S. Department of Defense (DoD) in September 2009. Solazyme, a renewable oil and green bioproducts company and leader in algal biotechnology, manufactured the world's first 100% algal-based jet fuel through its proprietary fermentation process in collaboration with renewable jet fuel processing technology from Honeywell's UOP. Solazyme's renewable Solajet HRJ-5 is designed to meet all of the requirements for Naval renewable aviation fuel. In preliminary tests, it also meets the fuel requirements of the U.S. Air Force and meets the standards for commercial jet fuel.

DECC reveals £34m cuts to low-carbon tech programme

July 16, 2010. Details of £34m of cuts on low-carbon technology were published by the Department of Energy and Climate Change (DECC) as part of £6.2bn savings across Whitehall. The department said the Carbon Trust, which receives funding to promote the move to a low-carbon economy, would see its budget for helping green technology and businesses cut by £12.6m. There would be £1m less for developing deep geothermal energy, with the technology receiving £1m this year, DECC said.

US climate bill falls short of Obama's Copenhagen promise

July 16, 2010. A scaled-back climate change bill being considered by Senate Democrats would achieve far less than President Barack Obama promised at the UN global warming summit in Copenhagen last year – but even this may be too much for Congress. With little time left in a short, crowded legislative schedule this year, Senate Democratic leaders are weighing a final attempt to begin reducing carbon dioxide emissions. Instead of the kind of economy-wide scheme the House of Representatives approved last year, senators are trying to rally support for a narrower plan that would set pollution caps only on the electric power sector – covering about one-third of the country's greenhouse gas emissions. It would do so by allowing an ever-dwindling number of carbon pollution permits to be traded. By signing onto the Copenhagen accord last December, the United States accepted the goal of cutting 2005 domestic greenhouse gas emissions by 17% by 2020 compared to 2005. This required congressional action – extremely difficult with an ailing economy and ahead of mid-term elections, when opponents argue the measure would raise energy prices for consumers.

Mitsubishi Heavy, UK firm to make wind turbines

July 16, 2010. Mitsubishi Heavy Industries Ltd said it will tie up with Scottish and Southern Energy Plc to develop turbines for an offshore wind power project in the United Kingdom. The UK government project will add 32 gigawatts, roughly the output of 30 nuclear power plants, to the country's power generation capacity by 2020. Mitsubishi Heavy, which has decided to develop offshore wind turbines capable of generating 5,000 kilowatts to 7,000 kilowatts, would get government subsidies for the project called Round 3. Teaming up with SSE, one of the companies selected for the project, Mitsubishi Heavy hopes to win orders for the offshore wind turbines. [TOP](#)

Pirelli, GWM join forces for solar energy venture

July 16, 2010. Pirelli Ambiente, part of Pirelli & C group, has joined forces with financial group GWM Renewable Energy to develop solar power projects in Italy, the two companies said. The initial value of their GP Energia SpA joint venture will be about 20 million euros (\$25.95 million) and it will control 11 megawatts (MW) of production capacity taken over from Pirelli Ambiente's Solar Utility unit. The statement said 7 MW are already in operation and the joint venture would try to acquire about 100 MW in Italy. GWM Renewable energy will own 60 percent of GP Energia and Solar Utility will hold the rest.



China wind power priorities offers Europe opportunities, Oxford Study says

July 16, 2010. Changing priorities for wind power are creating opportunities for European companies as the world's biggest polluter seeks to boost wind-park efficiency. Wind park siting, or picking the best site for the turbine to gain the most wind energy, and grid development are among opportunities for collaboration between European and Chinese companies, Benito Mueller, director of Oxford University's Institute for Energy Studies, and colleagues wrote in a study. China erected more turbines last year than any other country and may install a record 18 gigawatts of wind power capacity this year. Second-quarter financing of renewable energy in China surged 72 percent to \$11.5 billion, more than Europe and the U.S. combined, New Energy Finance said on July 13. The European Union and China should explore more ventures to collaborate on wind park development, operations and transmission, the authors wrote. [TOP](#)

U.S. House Committee said to consider reducing ethanol subsidy by 20 pc

July 16, 2010. The U.S. House Ways and Means Committee has proposed reducing the tax credit that helps support the ethanol industry by 20 percent to cut spending. Refiners and blenders would receive 36 cents for every gallon of ethanol blended into gasoline from the 45 cents they currently pocket. The tax credit expires this year and the committee is proposing to extend it an additional year. Reducing the credit was a way to compromise with members of the committee who didn't want to extend the incentives and it could be attached to a legislative package for so-called green. The bill would also extend the 54-cent tariff slapped on Brazilian imports for one year. Ethanol industry advocates have pushed to avoid what happened to biodiesel. Production of biodiesel has ground to a near-halt since its \$1-a-gallon incentive expired at the end of last year, according to the National Biodiesel Board.

Italy proposes regulated market for physical oil

July 15, 2010. Italy is drafting a proposal for a regulated European bourse for physical oil trade in order to cut speculation, the country's energy regulator chairman, Alessandro Ortis, said. Members of the Organization of the Petroleum Exporting Countries (OPEC) and some consumer nations have long expressed concern about the role of speculators in energy markets, which some experts say exaggerate price swings beyond what fundamentals justify. Ortis said the idea was for a European platform for selected players to trade physical barrels with products and contracts standardized and regulated. The contracts would be long term with physical delivery in Europe.

BP Plc buys Verenium Corp.'s cellulosic biofuels unit for \$98.3 mn

July 15, 2010. BP Plc will acquire Verenium Corp.'s cellulosic biofuels business, expanding its operations in alternative fuels. BP Biofuels North America will pay \$98.3 million for the business, which includes facilities in Jennings, Louisiana, and San Diego, the two companies said in a statement today. BP, fighting the worst oil spill in U.S. history in the Gulf of Mexico, has invested about \$3 billion in alternative fuels since 2005 on forecasts for global energy demand to rise 50 percent in the next two decades. Cellulosic biofuel is a liquid fuel made by extracting the sugars out of grass. The sale will enable the Cambridge, Massachusetts-based company to focus on its enzymes business. Enzymes are used in the manufacture of biofuels. BP, Poet LLC and other companies are trying to find ways to produce ethanol from switchgrass, wood chips and agricultural waste, as an alternative to biofuels from food crops such as corn. Even so, the technology for affordable production of non-corn ethanol remains uncertain, Joe Glauber, the U.S. Department of Agriculture's chief economist said in April. The Obama administration in February slashed the nation's 2010 cellulosic-ethanol mandate to 6.5 million gallons from the 100 million that had been required under a 2007 energy law. [TOP](#)

China says energy efficiency higher than earlier report

July 15, 2010. China has again revised its gains in energy efficiency over the past four years, suggesting it is getting closer to achieving a five-year energy intensity reduction target at the end of this year. China pledged to cut its energy intensity -- the amount of fuel needed to generate each unit of gross domestic product -- by 20 percent within five years, from the 2005 level. The world's top emitter of greenhouse gases consumed 0.1077 tonnes of standard coal for each 1,000 yuan of GDP in 2009, down 3.61 percent from a year earlier, the National Bureau of Statistics said. That marks a substantial revision, since the bureau said in February that energy intensity in 2009 fell 2.2 percent from 2008. It also revised energy intensity for 2005, 2006, 2007 and 2008 to 0.1276, 0.1241, 0.1179 and 0.1118 tonnes of standard coal for each 1,000 yuan of GDP, respectively,



resulting in revised year-on-year changes of -2.74 percent, -5.04 percent and -5.2 percent for 2006, 2007 and 2008, respectively. Previous official data showed energy intensity fell 1.79 percent in 2006, 4.2 percent in 2007 and 4.59 percent in 2008. Those numbers had already been revised at least once to put China closer to achieving its target. The latest data suggests energy intensity fell a total of nearly 16 percent in the past four years, compared with an estimate of 14.38 percent in the government's previous report, leaving Beijing in a better position to declare it will fulfill its five-year target. [TOP](#)

European emissions cut should be 30 pc, not 20 pc, U.K. French Ministers say

July 15, 2010. The European Union should raise its target to cut greenhouse-gas emissions to 30 percent by 2020 or risk falling behind the U.S. and China in developing low-carbon technology, French, German and U.K. officials said. The 27-nation bloc's current 20 percent goal isn't enough to drive the investment needed to slash emissions further, German Environment Minister Norbert Roettgen, U.K. Climate Change Secretary Chris Huhne and their French counterpart, Jean-Louis Borloo, wrote in an article. Europe is likely to lose the race to compete in the low-carbon world to countries such as China, Japan or the U.S.," the ministers wrote. "Ducking the argument on 30 percent will put us in the global slow lane." EU leaders held back from raising their target at the UN climate summit last December in Copenhagen, saying more nations needed to make comparable cuts. Industry groups have warned of job losses should European companies be put at a competitive disadvantage by having to make costly emissions cuts.

Clean energy beat fossil fuels for share of new power generation in 2009

July 15, 2010. Wind, solar and other forms of renewable power accounted for more new electricity generation than fossil fuels in the U.S. and Europe for a second year in 2009, the United Nations Environment Program said. Clean energy accounted for 60 percent of new capacity in Europe, and more than half of new power generation in the U.S., UNEP said today in an e-mailed statement. Alternative power now accounts for about a quarter of global generating capacity, or 1,230 gigawatts out of 4,800 gigawatts, the group said. Governments from China to the U.S. and Brazil to South Africa are seeking to boost renewable power to lower their dependence on fossil fuels and limit emissions of the greenhouse gases blamed for global warming. Globally, about 80 gigawatts of renewable power capacity was added last year, almost half of it in China, UNEP said. That compares with the 83 gigawatts of fossil fuel plants added. Investment patterns in renewable energy are also changing, with Asia overtaking the U.S. to move into second place last year, and now threatening Europe's lead. China in 2009 replaced the U.S. as the biggest investor in renewable energy, pumping \$34.5 billion into wind turbines, solar panels and other low-carbon energy technologies, new energy finance said in March. U.S. spending was just over half that, at \$18.6 billion. The U.K. ranked third. More than 100 countries have now brought in policies to promote renewable, UNEP said. The group's statement was based on twin reports by UNEP and by the Renewable Energy Policy Network for the 21st Century, or REN21.

Ethanol industry splits on future of U.S. tax breaks

July 15, 2010. A group of U.S. ethanol makers proposed a phase-out of federal subsidies -- the first such offer by a biofuels group, although the offer was tied to the creation of a more open market for the alternative fuel. Growth Energy, a trade group that produces 30 percent of U.S. ethanol, presented its idea as Democratic leaders in the Senate sought consensus on an energy bill. Ethanol incentives worth \$6 billion annually are due to expire at year's end. U.S. support for ethanol, popular in the Farm Belt as a home-grown fuel, may be at a turning point. Congress has been unable to extend the less-costly biodiesel tax credit, which expired at the end of 2009, partly out of concern about the federal deficit. Other leading ethanol trade groups support an extension of the existing incentives through 2015. They said it was too late in the congressional session to suggest broader-scale changes. The American Coalition for Ethanol and three farm groups said they support the straight-forward extension. A 2007 law guarantees renewable fuels a share of the U.S. market of at least 36 billion gallons from 2022. The mandate for this year is 12.95 billion gallons, most of it made from corn. The largest ethanol makers are Archer Daniels Midland Co, Valero Energy Corp and privately owned POET. [TOP](#)



Exxon says growing its algae biofuels program

July 14, 2010. Exxon Mobil Corp said it opened a greenhouse facility to grow and test algae, the next step for its nascent biofuels program. Exxon said last year it would invest \$600 million over the next five to six years attempting to develop biofuel from algae. If it met research goals, Exxon said it would spend more than originally budgeted in the next decade, \$300 million of which would be allocated to its partner Synthetic Genomics Inc. The project would cost billions to fully develop, Exxon said. Researchers from Exxon and Synthetic Genomics will use the new facility to test whether large-scale quantities of affordable fuel can be produced from algae. Exxon's biofuel investment represents a tiny portion of the oil company's spending, which is set for \$32 billion for just this year. That figure includes the budget of XTO Energy Inc, a natural gas company that the oil company bought. Synthetic Genomics, headed by entrepreneurial scientist Craig Venter, is a privately held firm focusing on gene-based research. Some strains of algae produce oil that can be converted into diesel and other fuels. To make biofuel from algae, sunlight and a large source of carbon dioxide would be needed. Venter said thousands of natural strains of algae are being screened for quantities that would make commercial production economical, but the sheer number of requirements means at some stage chosen strains will probably need genetic modification.

European Union's Nations approve rules for carbon auctions after 2012

July 14, 2010. European Union member states unanimously approved rules for auctioning most of their carbon permits after 2012, when the next phase of trading begins in the world's largest emissions market. The EU, which has given away the majority of allowances since it started its cap-and-trade program in 2005, will require most emitters to purchase their allotment of permits in the phase that starts in 2013 and runs through 2020. The European Commission, the EU regulator, said countries will be able to apply for permission to run national auctions alongside a common European platform in the system's third and later phases. Germany, Poland, Spain and the U.K. had asked for individual auctions. The U.K. government, which already has its own platform for selling CO2 permits, said that it "successfully secured concessions which will allow it to continue to hold its own national auctions. RWE AG, Germany's second-biggest utility, is one of the companies that said it needs phase-three permits immediately to hedge the risk of power it is selling now for delivery in 2013 and beyond. West European utilities will no longer get free permits in the third phase, while east European power plants will have to buy 30 percent of their permits at auctions, with the amount rising to 100 percent by 2020.

New Zealand emissions trade plan set for supply boost

July 14, 2010. New Zealand's fledgling emissions trading scheme, the only national scheme outside Europe, stepped up from July 1 with the addition of industries that emit half the nation's greenhouse gases. But trading remains muted, bedevilled by lack of supply of offsets called New Zealand Units, with NZU prices trading below the NZ\$25 price cap. In coming months, though, the supply picture is expected to change sharply as sectors entitled to free allocations of NZUs start to receive their offsets and as demand grows from companies that must meet carbon emissions obligations. New Zealand's total greenhouse gas emissions have risen 22 percent since 1990, the base year of the Kyoto Protocol. The country has pledged to have no increase from 1990 level emissions during Kyoto's 2008-2012 first commitment period. The emissions trading scheme is meant to help New Zealand meet its target, with forests that soak up large volumes of carbon dioxide playing a key role. [TOP](#)



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Mr. Satisht Kumar Tezaa
ORF Centre for Resources Management
OBSERVER RESEARCH FOUNDATION
20 Rouse Avenue,
New Delhi - 110 002
Phone +91.11.4352 0020 extn 2035
Fax: +91.11.4352 0003
E-mail: energy@orfonline.org, satishtezaa@orfonline.org

The ORF Energy News Letter is also available in print form to subscribers. For more details please write to energy@orfonline.org or Observer Research Foundation, 20 Rouse Avenue, New Delhi 110 002. Phone: +91 11 4352 0020 Fax: +91 11 4352 0003. Also see www.orfonline.org

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